



# 南旋控股有限公司 Nameon Holdings Limited

(Incorporated in Cayman Islands with limited liability)  
**Stock Code: 1982**



Annual Report **2021**

# About **Nameson**

Established in 1990, Nameson Group is one of the leading knitwear manufacturers in the PRC. We offer one-stop services including raw material development and procurement, product design, sample manufacturing, high-quality production, quality control and timely delivery of products to our clients. Over the years, we have built an excellent business reputation and have been supplying quality knitwear products to internationally renowned apparel brands such as UNIQLO, Tommy Hilfiger and Lands' End.

## **About the Annual Report Design**

This year the annual report design makes use of a pentagon, which denotes the golden ratio — alongside the business developments, Nameson takes into consideration multifaceted factors including business diversity, financial impact, synergies that is brought to the Group, social impacts, and how it better services our customers. Amongst the many considerations, Nameson is striving to find the best balance to carve out the golden ratio for the business.



# Contents

Corporate Information	2
Chairman's Statement	4
Management Discussion and Analysis	8
Biographical Details of Directors and Members of Senior Management	20
Corporate Governance Report	28
Directors' Report	46
Environmental, Social and Governance Report	64
Independent Auditor's Report	105
Consolidated Income Statement	110
Consolidated Statement of Comprehensive Income	111
Consolidated Balance Sheet	112
Consolidated Statement of Changes in Equity	114
Consolidated Cash Flow Statement	116
Notes to the Consolidated Financial Statements	117
Financial Summary	184

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wong Wai Yue (*Chairman*)

Mr. Man Yu Hin (*Chief Executive Officer*)

Mr. Wong Ting Chun

Mr. Li Po Sing

### Non-executive Director

Mr. Tam Wai Hung, David

### Independent non-executive Directors

Ms. Fan Chiu Fun, Fanny, *GBM, GBS, JP*

Mr. Kan Chung Nin, Tony, *SBS, JP*

Mr. Ong Chor Wei

Mr. Fan Chun Wah, Andrew, *JP*

Ms. Lee Bik Kee, Betty

Mr. Ip Shu Kwan, Stephen, *GBS, JP*

## BOARD COMMITTEES

### Audit Committee

Mr. Ong Chor Wei (*Chairman*)

Mr. Kan Chung Nin, Tony, *SBS, JP*

Mr. Tam Wai Hung, David

Mr. Fan Chun Wah, Andrew, *JP*

Mr. Ip Shu Kwan, Stephen, *GBS, JP*

### Remuneration Committee

Mr. Kan Chung Nin, Tony, *SBS, JP* (*Chairman*)

Mr. Wong Wai Yue

Mr. Ong Chor Wei

### Nomination Committee

Mr. Wong Wai Yue (*Chairman*)

Mr. Man Yu Hin

Mr. Kan Chung Nin, Tony, *SBS, JP*

Mr. Ong Chor Wei

Ms. Lee Bik Kee, Betty

### Executive Committee

Mr. Wong Wai Yue (*Chairman*)

Mr. Man Yu Hin

Mr. Wong Ting Chun

Mr. Li Po Sing

## COMPANY SECRETARY

Mr. Tao Chi Keung, *HKICPA, ACCA*

## AUTHORISED REPRESENTATIVES

Mr. Wong Wai Yue

Mr. Tao Chi Keung, *HKICPA, ACCA*

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units A-C, 21/F, Block 1

Tai Ping Industrial Centre

57 Ting Kok Road

Tai Po, New Territories

Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716

17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

## Corporate Information (continued)

**AUDITOR**

PricewaterhouseCoopers  
Certified Public Accountants  
Registered Public Interest Entity Auditor  
22/F, Prince's Building  
Central  
Hong Kong

**LEGAL ADVISER**

Reed Smith Richards Butler  
17/F, One Island East  
Taikoo Place  
18 Westlands Road  
Quarry Bay  
Hong Kong

**PRINCIPAL BANKERS**

Bank of China (Hong Kong) Limited  
China Construction Bank (Asia) Corporation Limited  
DBS Bank (Hong Kong) Limited  
Hang Seng Bank Limited  
Mizuho Bank, Ltd.  
The Bank of East Asia, Limited  
United Overseas Bank Limited

**STOCK CODE**

1982

**WEBSITE OF THE COMPANY**

<http://www.namesonholdings.com>

# Chairman's Statement



With our dedication to continue to lead the industry, the new management led by myself, will be open-minded to accomplish new breakthroughs, and continue to grow with our customers.

## Chairman's Statement (continued)

To Our Respected Shareholders,

On behalf of the board of directors (the "Board") of Nameson Holdings Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group" or "Nameson") for the year ended 31 March 2021 ("Financial Year 2021").

## MARKET REVIEW

The overall market condition of Financial Year 2021 was largely impeded by the extended global outbreak of the novel coronavirus (COVID-19). Coupled with the continued uncertainties on trade relations, the market has seen profound impact on the landscape of manufacturing, trade, retail sentiment and consumption behaviors.

Despite the complex trade relations between the People's Republic of China ("China" or "Mainland China") and the United States of America, China was the first major economy to resume full-fledged business activities, and have recorded a growth of 41.1% in total export value in Financial Year 2021, with obvious growth especially in the second half of Financial Year 2021. However, China's total export value of knitwear (including knitted products and crochet products, knitted or crocheted clothing and accessories) was still down by 3.5% in Financial Year 2021, even though China has recorded a distinguished increase in the second half of Financial Year 2021 while other South-east Asian countries were faced with increased outbreaks of COVID-19 during that period.

Vietnam, being more susceptible to the effects of the pandemic than China, recorded a decline of 8.5% for its exports of textile and garments in Financial Year 2021, being the first decline in two decades. However, with the outstanding management and strenuous efforts of our operations team in Vietnam, we are very pleased to report that our production volume from Vietnam continued to grow as expected during Financial Year 2021, demonstrating our resilience even during such testing times.

The lockdowns in the United States of America and Europe for the first few months of Financial Year 2021 impeded orders for those months. While our key customers' stores resumed operations in the following months, the Group's sales volume of men's and women's knitwear products still recorded a decline of 10.1% to 31.0 million pieces for Financial Year 2021. The decline in sales volume was mainly recorded in the first half of Financial Year 2021, while the orders for the second half of Financial Year 2021 have resumed to normalised, stable levels.

Faced with the challenges on global economies brought by the pandemic during Financial Year 2021, it has been a year where we had to strike the best possible balance between carefully managing our production allocation while minimising health risks for our staff, catering to customers' reshuffled sales plans, optimising number of styles with customers for more agile delivery schedules, carefully assessing business risks involved with customers and suppliers, and at the same time, persevering through our ongoing quest to enhance operational efficiencies. We are pleased to report that our endeavors on all these areas were conducive to the better overall performance of the Group.

## Chairman's Statement (continued)

### BUSINESS REVIEW

Apart from the decline in sales volume, the average selling price for the Group's men's and women's knitwear products also recorded a decline of 5.0% mainly due to lower raw material costs. The Group's total revenue for Financial Year 2021 dropped by 14.1% to HK\$3,848.6 million, comparing to HK\$4,480.7 million generated from last financial year.

During Financial Year 2021, we exercised better allocation of our resources, mitigating raw material risks and effectively lowering direct labour costs and subcontracting costs. Hence, despite a decline in total revenue, we managed to improve our gross profit by 1.6% to HK\$701.4 million and our gross profit margin improved from 15.4% last financial year to 18.2% this financial year, which testifies to the effectiveness of our production and operations management despite lower sales volume and lower pricing environment.

The Group is amongst the first manufacturers to set up a production base in Vietnam to benefit from lower costs and the current trade environment. With the EU-Vietnam Free Trade Agreement, Vietnam's prominence in Asian manufacturing industry will continue to strengthen when the pandemic begins to subside. We are appreciative that our operations were not only running smoothly amidst global concern for the pandemic, we even went the extra mile to succeed in further improving operational efficiency by careful allocation of orders, and the production ratio of the Group's Vietnam production base continued to increase as planned. We believe that our professional production management will continue to work in favour of our customers' fluid sales plans, which reaffirms our position as their supplier of choice.

The Group continued to exert emphasis on managing its expenses in light of the current business environment, achieving savings on selling, general and administrative expenses, allowing the operating profit to lift impressively by 55.5% to HK\$367.6 million, and enhancing the operating profit margin from 5.3% in last financial year to 9.6% in this financial year. Finance costs were also on a downward trend as a result of the lower market interest rates and the Group's prudent cash management directives.

The profit attributable to the owners of the Company improved by 99.8% to HK\$313.7 million in Financial Year 2021. The growth of the adjusted net profit would still have been respectable at 25.2% at HK\$305.5 million, while adjusted net profit margin would also have been enhanced from 5.4% in last financial year to 7.9% in this financial year. The Board has recommended the payment of a final dividend of 1.2 HK cents per share to the Company's shareholders, in appreciation to their trust and support in such difficult times.

### FUTURE STRATEGIES AND PROSPECTS

This difficult year enabled us to progress via resolving challenges and threats. What is of more importance is that quality customers require quality suppliers who resonate in business ethics and financial health, maintain lean and efficient management control, and possess the agility to adjust in times that are less favourable than other times. During Financial Year 2021, we have fostered tighter working relationships with customers to overcome challenges together, which marks another important milestone for us to grow together in the years to come.

However, despite the launch of vaccination programs and stimuli measures offered by certain markets, the pace of global recovery is still protracted. This results in short-term reduction in order size — customers being generally more cautious in global buying patterns, demands smaller but quicker replenish order requirements driven by the quickly accelerated development of e-commerce, and consumers' preference to spend on products with lower price-points. Nonetheless, we believe that we have sharpened our edges as a preferred supplier by servicing our customers with distinguished research and development capabilities, and we have the scale, ability and efficiency to facilitate fast response to orders with delivery in time for our customers.

## Chairman's Statement (continued)

We also continue to see positive market responses for our Wholegarment products. We are very confident that our dedication through collaboration with customers to originate distinguished designs would help us further develop the full potential of such products.

The Group's development of the Myanmar production base is currently put on hold. We will carefully examine the situation with priority placed on the safety of our staff. We expect trial production to be further delayed until the unrest and the pandemic in Myanmar becomes less severe. Even though China's export figures are currently positive due to the prolonged outbreak of the pandemic in other South-east Asian countries, in the long term, with softened demand, rising costs, and the appreciation of Renminbi, brand customers will be faced with increased exerted pressure to source products from China. As such, China's share in the major manufacturing market is likely to continue to spiral down in textile and garment exports. Hence, we still see Myanmar in an advantageous position enjoying tariff concessions exporting to China, Japan and Europe. Our ultimate goal is to further increase production capacity ratio to overseas production in response to customers' changing preferences. At the same time, we are confident that there is still room for us to enhance efficiency of our Vietnam production base, catering to customers' procurement requirements.

China's status, on the other hand, has continually seen its consumption surpassing other major economies. This is further bolstered by the recent complementing measures to boost its population and economy. Our well-established manufacturing foothold in China is well-positioned to tap the rising domestic demand, and this is evidenced by working with domestic brands with vast growth potential and seeing our increased proportion of sales to China over the past couple of years. We believe that the Group has potential to further grow meaningfully in this market.

While Vietnam's status in global manufacturing is unquestioned, it currently still relies on imports for raw materials. We are confident that our devotion of resources in developing the business of weaving, printing and dyeing of fabric, even though there was delay due to the pandemic, will fill in the gap for the demand for Vietnam's domestic supply of raw materials. It is expected that such business will begin to contribute to the Group in the next financial year.

With our motivation to continue to lead the industry, the new management, led by myself, will be open-minded to accomplish new breakthroughs for our customers' new-generation sales channels. We will also more focus on bringing new energy to our manufacturing facilities through the quicker introduction to renewable energy, and continue to develop on lean manufacturing and embark on digitalisation and automation where appropriate. We will continue to further enhance our product design with enhanced functionality, material development ability, and production efficiency to boost the overall profitability and strive for greater returns for our shareholders.

I would hereby like to express my heartfelt gratitude to our Founding Chairman, Mr. Wong Ting Chung, to have cultivated Nameson into a prominent enterprise in the knitwear industry, instilling warmth to our corporate culture and nurturing well-established relationships with key customers and other business partners that, sets us apart from other players in the industry. I would also like to thank all other key stakeholders including suppliers, shareholders and staff, for their meaningful contribution over the three decades of Nameson's success. I will spearhead the new management to continue this legacy.

**Wong Wai Yue**

*Chairman and Executive Director*

25 June 2021

# Management Discussion & Analysis



## Management Discussion and Analysis (continued)

**FINANCIAL REVIEW**

	<b>Year ended 31 March</b>	
	<b>2021</b> HK\$'000	2020 HK\$'000
<b>Revenue</b>	<b>3,848,554</b>	4,480,708
Cost of sales	(3,147,112)	(3,790,582)
<b>Gross profit</b>	<b>701,442</b>	690,126
Other income	17,072	14,714
Other gains, net	31,007	29,018
Selling and distribution expenses	(40,969)	(46,049)
General and administrative expenses	(342,658)	(392,347)
Impairment loss on intangible assets	—	(55,096)
Reversal of/(provision for) impairment losses on financial assets	1,737	(3,996)
<b>Operating profit</b>	<b>367,631</b>	236,370
Share of post-tax profit of a joint venture	60	825
Finance income	2,861	5,728
Finance expenses	(35,885)	(68,572)
Finance expenses, net	(33,024)	(62,844)
<b>Profit before income tax</b>	<b>334,667</b>	174,351
Income tax expenses	(36,309)	(22,817)
Profit for the year	<b>298,358</b>	151,534
<b>Profit for the year attributable to:</b>		
— Owners of the Company	<b>313,677</b>	157,045
Add:		
Costs and expenses directly or indirectly related to the restructuring of V. Success Group	—	86,252
Net realised and unrealised (gains)/losses from derivative financial instruments	(8,213)	717
<b>Adjusted net profit</b>	<b>305,464</b>	244,014

## Management Discussion and Analysis (continued)

### FINANCIAL REVIEW

#### Revenue

The Group's revenue for the year ended 31 March 2021 mainly represented revenue from sales of knitwear products, including womenswear, menswear and other products such as cashmere yarns, knitted upper for footwear, childrenswear, scarfs, hats and gloves, to our customers.

The Group's revenue decreased by 14.1% to HK\$3,848.6 million for the year ended 31 March 2021 from HK\$4,480.7 million for the year ended 31 March 2020. The decrease was mainly attributable to the decrease in sales revenue of men's and women's knitwear products.

The decrease in the total sales revenue of men's and women's knitwear products was due to the decreases in sales volume and average selling price. The Group's sales volume of men's and women's knitwear products decreased by 10.1% from 34.5 million pieces for the year ended 31 March 2020 to 31.0 million pieces for the year ended 31 March 2021, while the average selling price of the Group's men's and women's knitwear products decreased by 5.0% from HK\$114.1 per piece for the year ended 31 March 2020 to HK\$108.4 per piece for the year ended 31 March 2021.

Consistent with the Group's geographical market distribution for the year ended 31 March 2020, Japan, Mainland China and Europe remained as the top three markets of the Group for the year ended 31 March 2021. The revenue attributable to the Japanese market, Chinese market and European market accounted for 34.0%, 23.8% and 18.4% respectively of the Group's total revenue for the year ended 31 March 2021.

#### Cost of Sales

For the year ended 31 March 2021, the Group incurred cost of sales of HK\$3,147.1 million. Cost of sales primarily consisted of cost of inventories, direct labour costs, subcontracting charges to our subcontractors, depreciation, electricity and water and production overhead costs.

#### Gross Profit and Gross Profit Margin

During the year ended 31 March 2021, the Group recorded gross profit of HK\$701.4 million and gross profit margin of 18.2% as compared to the gross profit of HK\$690.1 million and gross profit margin of 15.4% for the year ended 31 March 2020.

The increase in gross profit margin for the year ended 31 March 2021 was mainly due to the decreases in cost of inventories and total direct labour costs and subcontracting charges as we have been streamlining the production process in order to have better control of raw materials usage and increase the overall production efficiency, such increase was partially offset by the unsatisfactory gross profit margin of other knitwear products, mainly cashmere yarns.

#### Other Income

Other income primarily consisted of rental income from investment properties, government subsidies and miscellaneous other income. The other income of the Group increased by HK\$2.4 million from HK\$14.7 million for the year ended 31 March 2020 to HK\$17.1 million for the year ended 31 March 2021. Such increase was mainly due to the increase in government subsidies, which was partially offset by the decrease in miscellaneous other income.

#### Other Gains, Net

Other gains primarily consisted of net foreign exchange gains or losses, net gains or losses on financial assets at fair value through profit or loss, net realised and unrealised gains or losses from derivative financial instruments and net gains or losses on disposal of property, plant and equipment.

## Management Discussion and Analysis (continued)

Other gains slightly increased by HK\$2.0 million from HK\$29.0 million for the year ended 31 March 2020 to HK\$31.0 million for the year ended 31 March 2021. The increase is primarily due to the realised and unrealised gains/losses from derivative financial instruments was changed from HK\$0.7 million losses for the year ended 31 March 2020 to HK\$8.2 million gains for the year ended 31 March 2021, and such increase was partially offset by the decrease in net foreign exchange gains from HK\$23.5 million for the year ended 31 March 2020 to HK\$15.6 million for the year ended 31 March 2021.

In summary, other gains for the year ended 31 March 2021 mainly represented net foreign exchange gains of HK\$15.6 million, net realised and unrealised gains from derivative financial instruments of HK\$8.2 million and net gains on financial assets at fair value through profit or loss of HK\$5.8 million.

### **Selling and Distribution Expenses**

Selling and distribution expenses primarily consisted of transportation cost in relation to delivery of our products to customers, commission to the agents of our customers and advertising and promotion expenses.

The Group's selling and distribution expenses decreased by HK\$5.0 million, from HK\$46.0 million for the year ended 31 March 2020 to HK\$41.0 million for the year ended 31 March 2021. Such decrease was largely in line with the decrease in the Group's sales volume of men's and women's knitwear products.

### **General and Administrative Expenses**

General and administrative expenses primarily consisted of staff costs relating to management and administrative personnel, depreciation, insurance premium, donations and other incidental office expenses.

The Group's general and administrative expenses decreased by HK\$49.6 million from HK\$392.3 million for the year ended 31 March 2020 to HK\$342.7 million for the year ended 31 March 2021. Such decrease was mainly due to (i) no amortisation expense on technical knowhow for the year ended 31 March 2021; and (ii) the decrease in staff costs and other incidental office expenses (e.g. travelling expenses) as the Group has implemented more cost control measures during the year ended 31 March 2021 to address the turbulent market conditions as a result of the COVID-19 pandemic.

### **Impairment Loss on Intangible Assets**

There was no impairment loss on intangible assets for the year ended 31 March 2021.

The impairment loss on intangible assets for the year ended 31 March 2020 represented impairment provision of HK\$55.1 million for the technical knowhow of V. Success Limited and its subsidiaries (the "V. Success Group"). The impairment provision took into account many factors, including but not limited to the global economic uncertainties on a macro level given the COVID-19 pandemic and trade tensions between the United States of America and Mainland China, fast-changing market environment and intense competition faced by V. Success Group in relation to its knitted uppers for footwear and knitted upper shoes business, as explained in more details below.

### **Events and circumstances leading to the recognition of the impairment loss for the year ended 31 March 2020**

Following the outbreak of the COVID-19 pandemic since late January 2020, the Group's management acknowledged that it was becoming extremely difficult to continue to deploy heavy resources to run V. Success Group's knitted uppers for footwear and knitted upper shoes business as an independent business since this business remains intensely competitive and market conditions have been exacerbated by the COVID-19 pandemic.

As the pandemic has brought upon unprecedented challenges to the knitted uppers for footwear and knitted upper shoes business and its customers, the Group has implemented various additional measures to restructure and streamline the business of V. Success Group and the Board therefore decided that it would be reasonably prudent to make further reductions to the revenue and profits forecast of this business for the financial years after the year ended 31 March 2020.

## Management Discussion and Analysis (continued)

The Company engaged Vincorn Consulting and Appraisal Limited (the "Valuer") to assess the value in use of V. Success Group in relation to its business in knitted uppers for footwear and knitted upper shoes as at 31 March 2020. As the recoverable amount of the cash generating unit in relation to V. Success Group, which was assessed with reference to the valuation performed by the Valuer, was lower than the carrying amount of the cash generating unit and resulting in a total impairment loss of HK\$78.0 million for the year ended 31 March 2020, which includes impairment provision for intangible assets of HK\$55.1 million.

**Valuation methodology, value of inputs and basis and assumptions**

The valuation methodology, value of inputs used in the valuations together with the basis and assumptions are as follows:

	<b>Valuation as at 31 March 2020</b>
Valuation Date	31 March 2020
Valuation Methodology	Income Approach
Basis of Valuation	Value in use calculation*
Pre-tax Discount Rate	15.76%
Risk-free Rate (10-yr)	2.59%
Beta Coefficient	0.64
Market Risk Premium	5.89%
Company Specific Risk Premium	5.00%
Small Company Risk Premium	3.39%
Net Present Value of Value in Use (HK\$'000)	172,502
Adjustments:	
Net Non-operating Assets (HK\$'000)	(2,992)
Debts (HK\$'000)	(221,607)
Excess Cash (HK\$'000)	13,432
Final Result of Value in Use (HK\$'000)	(38,665)

\* The calculation uses pre-tax cash flow projection based on financial budgets covering a five-year period and a long-term average growth rate.

## Sale Revenue (HK\$'000) &amp; Growth Rate

Year 1	91,872 (-51.6%)
Year 2	96,925 (5.5%)
Year 3	102,256 (5.5%)
Year 4	107,880 (5.5%)
Year 5	113,814 (5.5%)

The valuation method referred to above was adopted to comply with the Group's accounting policies and is consistent with the common method adopted for valuation of a subject of similar nature. There is no change in valuation method used by the Valuer.

## Management Discussion and Analysis (continued)

According to HKAS 36 — Impairment of Assets, the standard clarifies that the following elements should be reflected in the calculation of an asset's value in use:

- (1) an estimate of the future cash flows the entity expects to derive from the asset;
- (2) expectations about possible variations in the amount or timing of those future cash flows;
- (3) the time value of money, represented by the current market risk-free rate of interest;
- (4) the price for bearing the uncertainty inherent in the asset; and
- (5) other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset.

The standard also clarifies that the second, fourth and fifth elements above can be reflected either as adjustments to the future cash flows or adjustments to the discount rate.

Therefore, we consider income approach to be an appropriate valuation method. The principle of this approach is that the value of the asset can be measured by the present worth of the economic benefits to be received over the asset life. This approach estimates the future economic benefits and discounts these benefits to their present value using an appropriate discount rate for all risks associated with realising those benefits.

### **Reversal of/(Provision for) Impairment Losses on Financial Assets**

Reversal of impairment losses on financial assets for the year ended 31 March 2021 represented reversal of provision for impairment of trade receivables of HK\$1.7 million.

Provision for impairment losses on financial assets for the year ended 31 March 2020 represented provisions for impairment of trade receivables and other receivables of HK\$1.7 million and HK\$2.3 million respectively. These impairment losses were associated with the restructuring of V. Success Group's knitted uppers for footwear and knitted upper shoes business.

Details of the costs and expenses directly or indirectly related to the restructuring of the knitted uppers for footwear and knitted upper shoes business for the year ended 31 March 2020 are set out in Note 7 to the Notes to the Consolidated Financial Statements.

### **Finance Expenses, Net**

Net finance expenses mainly consisted of interest expenses on bank borrowings and lease liabilities, which were partially offset by the Group's finance income which mainly consisted of interest income from bank deposits.

The Group's net finance expenses decreased by HK\$29.8 million from HK\$62.8 million for the year ended 31 March 2020 to HK\$33.0 million for the year ended 31 March 2021. The decrease in net finance expenses was mainly due to (i) the drop in market interest rates; and (ii) more effective financial management strategies implemented during the year ended 31 March 2021.

## Management Discussion and Analysis (continued)

### **Income Tax Expenses**

Under the current laws of the Cayman Islands and the British Virgin Islands (the "BVI"), neither the Company nor its BVI subsidiary is subject to tax on its income or capital gains. In addition, any payments of dividends are not subject to withholding tax in the Cayman Islands or the BVI.

Hong Kong profits tax as applicable to the Group is 16.5% for the years ended 31 March 2021 and 2020 on the estimated assessable profits arising in or derived from Hong Kong during the relevant years.

The Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax ("CIT") at a rate of 25% on the estimated assessable profits for the years ended 31 March 2021 and 2020. However, two of the Group's subsidiaries in Mainland China are subject to the CIT at the rate of 15%, after being assessed as high and new technology enterprises.

The Group's subsidiaries in Vietnam are subject to preferential business income tax ("BIT") at the rate of 17%. According to the investment certificates, the subsidiaries are subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiaries are entitled to full exemption from BIT for first 2 years from the first year of earning taxable profit and are eligible for a 50% reduction in the BIT rate in the 4 years thereafter. For one of the subsidiaries in Vietnam, the current year is within the third year of 50% reduction in the BIT rate, whereas, all the subsidiaries in Vietnam have no assessable profit for the year ended 31 March 2021, and hence no BIT is provided.

The Group's effective tax rates based on the net profit were 10.8% and 13.1% for the years ended 31 March 2021 and 2020 respectively.

### **Profit for the Year Attributable to the Owners of the Company**

As a result of the foregoing, the Group recorded profit attributable to the owners of the Company of HK\$313.7 million and HK\$157.0 million for the years ended 31 March 2021 and 2020 respectively.

The Group's profit increased by HK\$156.7 million from HK\$157.0 million for the year ended 31 March 2020 to HK\$313.7 million for the year ended 31 March 2021. It was mainly due to (i) costs and expenses directly and indirectly related to the restructuring of V. Success Group of approximately HK\$86.3 million have been recorded in the year ended 31 March 2020, while no such costs and expenses were recorded for the year ended 31 March 2021 as the restructuring of V. Success Group has been completed in the year ended 31 March 2020; and (ii) the improvement in operating profit margin as a result of various control measures adopted during the year ended 31 March 2021.

### **Adjusted Net Profit**

Adjusted net profit is a non-HKFRS financial measure and it is derived from profit attributable to the owners of the Company for the year after excluding (i) costs and expenses directly or indirectly related to the restructuring of V. Success Group; and (ii) realised and unrealised gains/losses from derivative financial instruments. We believe that the adjusted net profit presented herein better reflects the Group's core operating results.

Based on the formula above, the Group's adjusted net profit increased by HK\$61.5 million from HK\$244.0 million for the year ended 31 March 2020 to HK\$305.5 million for the year ended 31 March 2021. The adjusted net profit margin increased from 5.4% for the year ended 31 March 2020 to 7.9% for the year ended 31 March 2021.

### **Dividend**

An interim dividend of 3.8 HK cents per share was paid on 22 December 2020.

At a meeting held on 25 June 2021, the Board recommended a final dividend of 1.2 HK cents per share amounting to a total of HK\$27,353,000. The proposed dividends are not reflected as a dividend payable in these consolidated financial statements and will be reflected as appropriation of retained earnings for the year ending 31 March 2022.

## Consolidated Cash Flow Statement

	Year ended 31 March	
	2021 HK\$'000	2020 HK\$'000
Net cash generated from operating activities	<b>849,338</b>	876,271
Net cash used in investing activities	<b>(270,276)</b>	(308,517)
Net cash used in financing activities	<b>(509,157)</b>	(264,958)
Net increase in cash and cash equivalents	<b>69,905</b>	302,796
Cash and cash equivalents at beginning of the year	<b>713,128</b>	414,844
Exchange difference on cash and cash equivalents	<b>10,168</b>	(4,512)
Cash and cash equivalents at end of the year	<b>793,201</b>	713,128

### Net Cash Generated from Operating Activities

The Group's net cash generated from operating activities for the year ended 31 March 2021 was HK\$849.3 million, primarily due to profit before income tax of HK\$334.7 million, adjusted for income tax refunded of HK\$14.4 million, provision for impairment of property, plant and equipment of HK\$21.9 million, depreciation of HK\$216.1 million and decreases in prepayments, deposits, other receivables and other assets of HK\$219.6 million and inventories of HK\$80.4 million respectively.

### Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the year ended 31 March 2021 was HK\$270.3 million, primarily due to the purchase of property, plant and equipment of HK\$278.5 million.

### Net Cash Used in Financing Activities

The Group's net cash used in financing activities for the year ended 31 March 2021 was HK\$509.1 million, which was attributable to the net decrease in the Group's total bank borrowings and lease liabilities of HK\$480.0 million and the dividend payments of HK\$86.6 million, which was partially offset by the capital contribution from non-controlling interests of HK\$57.5 million.

### Cash and Cash Equivalents

For the year ended 31 March 2021, the Group's cash and cash equivalents increased by HK\$69.9 million and the exchange gain was HK\$10.2 million. The net increase in the Group's cash and cash equivalents was from HK\$713.1 million as at 31 March 2020 to HK\$793.2 million as at 31 March 2021.

## Management Discussion and Analysis (continued)

### OTHER FINANCIAL INFORMATION

#### Liquidity and Financial Resources

For the year ended 31 March 2021, the Group's cash and cash equivalents was mainly used in the Group's business operations and expansion, to service the Group's indebtedness and to fund the Group's working capital. The Group financed its funding requirements mainly through a combination of cash generated from operating activities and bank borrowings. The Group's gearing ratio decreased from 37.9% as at 31 March 2020 to 23.1% as at 31 March 2021.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank borrowings and lease liabilities less cash and cash equivalents. Total capital is calculated as equity plus net debt.

As at 31 March 2021, the Group's cash and cash equivalents, amounting to HK\$793.2 million, were denominated in US dollars ("US\$") (50.2%), HK\$ (23.0%), Chinese Renminbi ("RMB") (25.2%), Vietnamese Dong ("VND") (1.0%) and other currencies (0.6%).

As at 31 March 2021, the Group's total bank borrowings and lease liabilities were due for repayment as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	<b>1,061,464</b>	566,351
Between one and two years	<b>218,144</b>	1,060,377
Between two and five years	<b>239,731</b>	367,619
	<b>1,519,339</b>	1,994,347

Notes:

- (a) The above amounts due are based on the schedule repayment dates set out in the relevant agreements and ignore the effect of any repayment on demand clause.
- (b) As at 31 March 2021, the Group's total bank borrowings and lease liabilities were denominated in HK\$(80.3%), US\$(18.7%) and RMB(1.0%). All the Group's bank borrowings were floating rate borrowings. The weighted average effective interest rates of the Group's bank borrowings and lease liabilities for the year ended 31 March 2021 were 1.57% and 1.78% respectively.
- (c) As at 31 March 2021, the Group's certain bank borrowings are secured by financial assets at fair value through profit or loss with a total carrying amount of HK\$6.3 million.

#### Financial Risk Management

The Group's management has adopted certain policies on financial risk management with the objective of: (i) ensuring that appropriate funding strategies are adopted to meet the Group's short term and long term funding requirements taking into consideration of the cost of funding, gearing ratios and cash flow projections of the Group; and (ii) ensuring that appropriate strategies are also adopted to minimise the related foreign currency risk, interest rate risk, credit risk and liquidity risk.

##### (a) Foreign Currency Risk

The Group mainly operates in Hong Kong, Mainland China and Vietnam with majority of the transactions settled in HK\$, RMB and US\$. Foreign currency risk arises when future business transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group's foreign currency risk exposure is primarily with respect to RMB and US\$ since a considerable portion of our operating expenses are denominated in RMB while most of the sales are denominated in US\$. As HK\$ is pegged with US\$, the foreign currency risk exposure in respect of US\$ is considered minimal.

## Management Discussion and Analysis (continued)

As at 31 March 2021, the Group did not have any outstanding hedging contracts or financial derivatives to hedge against foreign currency risk but the Board will continue to closely monitor the Group's foreign currency risk exposure and may use appropriate financial instruments for hedging purposes as and when necessary.

**(b) Interest Rate Risk**

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk and bank borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group did not enter into any financial instruments to hedge against interest rate risk for the year ended 31 March 2021 but the Board will continue to closely monitor the Group's loan portfolio in order to manage the Group's interest rate risk exposure.

**(c) Credit Risk**

The Group has policies in place to ensure that sales on credit are made to customers with an appropriate credit history and the Group also performs credit assessments of its customers on a periodic basis, taking into account their financial position, past payment records and other relevant factors. The Group has not experienced and does not expect to experience any material impairment on trade receivables and receivables from other counterparties.

As at 31 March 2021, substantially all of the Group's bank balances and deposits were held with major financial institutions in Hong Kong, Mainland China and Vietnam which the directors of the Company (the "Directors") believe are of high credit quality. The Directors do not expect any losses arising from the non-performance by these financial institutions.

**(d) Liquidity Risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group utilises cash flow forecast and other relevant information to monitor its liquidity requirements and to ensure the Group has sufficient cash and cash equivalents and banking facilities to support its business and operational activities. The Group has not experienced and does not expect to experience any difficulties in meeting credit obligations when they fall due.

### Capital Expenditures

The Group incurred capital expenditures of approximately HK\$291.9 million for the year ended 31 March 2021, which were mainly related to the purchase of machinery and equipment for our factories and the construction of new production bases in Vietnam and Myanmar. These capital expenditures were fully financed by internal resources and bank borrowings.

### Capital Commitments

The Group's capital commitments as at 31 March 2021 amounted to approximately HK\$95.5 million which were mainly related to the purchase of machinery and equipment for our factories and the construction of new production bases in Vietnam and Myanmar.

### Charge on Assets

As at 31 March 2021, the Group's right-of-use assets with a total carrying amount of HK\$14.5 million, buildings and leasehold improvements with a total carrying amount of HK\$173.4 million and financial assets at fair value through profit or loss with a total carrying amount of HK\$6.3 million were pledged to banks to secure certain banking facilities granted to the Group.

### Contingent Liabilities

The Group had no material contingent liability as at 31 March 2021.

### Use of Net Proceeds from the Company's Initial Public Offering

The net proceeds from the listing of the Company amounted to approximately HK\$635.4 million. Such proceeds have been used according to the allocation set out in the Company's prospectus dated 30 March 2016. Use of net proceeds from the date of listing to 31 March 2021 is set out on page 59 of this annual report.

## Management Discussion and Analysis (continued)

### **Significant Investments, Acquisitions and Disposals**

The Group had no significant investments, acquisitions and disposals during the year ended 31 March 2021.

### **Events after Balance Sheet Date**

The Group did not have significant events after balance sheet date.

### **Financial Instruments**

The Group did not have any outstanding hedging contracts or financial derivatives as at 31 March 2021.

### **Operating Segment Information**

Prior to 1 April 2020, the Group had two operating segments namely (i) Manufacturing of knitwear products; and (ii) Manufacturing of knitted upper for footwear and knitted upper shoes.

During the year ended 31 March 2021, the Group restructured and streamlined the business of manufacturing of knitted upper for footwear and knitted upper shoes. Upon the restructuring of this segment, the Group's chief operating decision-maker reassessed the Group's segment reporting and decided that, for the purposes of financial reporting, manufacturing of knitted upper for footwear and knitted upper shoes segment should be combined with the manufacturing of knitwear products segment as the resources allocation, performance assessment and decision making of these two operating segments are no longer considered separately.

For the year ended 31 March 2021, the Group operates as a single operating segment. The impact of the abovementioned change in the Group's reportable operating segments for the year ended 31 March 2020 is considered retrospectively and the Group's operating segment information is restated as if the Group had been operating as a single operating segment in that period. Accordingly, the Group has not presented separate segment information.

### **Human Resources and Emolument Policy**

As at 31 March 2021, the Group had a total of approximately 14,500 full-time employees in Mainland China, Vietnam and Hong Kong. For the year ended 31 March 2021, the total staff costs, including the directors' emoluments, amounted to HK\$871.9 million.

The Group's emolument policies are formulated based on the performance and experience of individual employee and are in line with the salary trends in Hong Kong, Mainland China and Vietnam. Other employee benefits include performance-related bonuses, insurance and medical coverage and share options.

Since human resources management is an important factor in maintaining and enhancing the Group's strong expertise in the manufacturing of knitwear products, the Group will provide appropriate training programs to the new recruits before they are assigned to work at the manufacturing facilities of the Group. From time to time, different on-the-job training will be provided to employees in order to ensure continuous staff development and skills upgrading.

### **Remuneration Policy**

The Directors and senior management of the Group receive compensation in the form of salaries and discretionary bonuses related to the performance of the Group. The Group also reimburses them for expenses which are necessarily and reasonably incurred for providing services to the Group or executing their functions in relation to the Group's operations. The remuneration committee will regularly review and determine the remuneration and compensation package of the Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and senior management and the performance of the Group.

# Love for the Community

Displaying care for all local communities at all our locations:



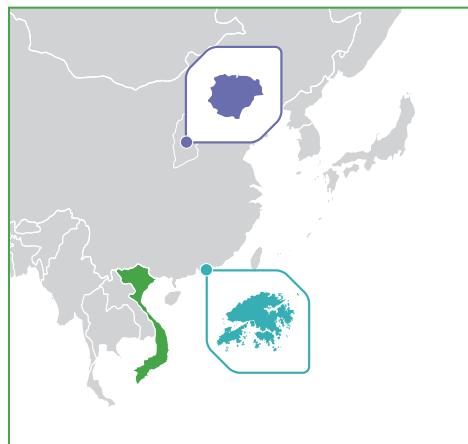
Total donations made to non-profit making organisations exceeded **HK\$3 million**, obtained an award of excellence from Community Chest of **Hong Kong** and have also garnered InnoESG Prize 2020 from Society Next Foundation, as well as Caring Certificate from Federation of Hong Kong Industries



Donated adult and children face masks to support school resumption in **Huizhou**, and to the communities of Hong Kong, Macao and Taiwan to fight the epidemic



Material donations made to elderly and low-income households in **Vietnam**



# Biographical Details of Directors and Members of Senior Management

## EXECUTIVE DIRECTORS

**Mr. Wong Wai Yue (王槐裕)**, aged 39, has been our Director since 30 August 2015. He was re-designated as executive Director and vice chairman with effect from 27 November 2017 and then re-designated as chairman with effect from 1 April 2021. He is primarily responsible for assisting the chairman to oversee and manage the Board and formulate the corporate strategy. Currently, Mr. Wong assumes various directorships in our Group, including Nameson Group Limited, First Team (HK) Limited, Nameson Industrial Limited, Kingmax Industrial Limited and Winner Way Industrial Limited. From January 2007 to January 2015, Mr. Wong served as a director of Nameson Group Limited, responsible for investment management. Mr. Wong obtained his bachelor's degree of science in computer science and the master's degree of science in international management from University of Exeter, United Kingdom in July 2005 and June 2006 respectively. Mr. Wong has served as the president of Hong Kong Industrial & Commercial Association-Youth Link since May 2012 and the chief president of Hong Kong Industrial & Commercial Association (Shatin Branch) since August 2018. Mr. Wong is also a committee member of the Chinese People's Political Consultative Conference Longgang District Shenzhen (中國人民政治協商會議深圳市龍崗區委員會) since September 2016. Mr. Wong Wai Yue is the son of Mr. Wong Ting Chung, the brother-in-law of Mr. Man Yu Hin (an executive Director) and the nephew of Mr. Wong Ting Chun (an executive Director) and Mr. Wong Ting Kau. As Mr. Wong Ting Chung is the settlor, the protector and one of the beneficiaries of the Happy Family Trust (which is a controlling shareholder of the Company), and Mr. Wong Ting Chun and Mr. Wong Ting Kau are beneficiaries of the Happy Family Trust, Mr. Wong Ting Chung, Mr. Wong Ting Chun and Mr. Wong Ting Kau are therefore controlling shareholders of the Company.

**Mr. Man Yu Hin (文宇軒)**, aged 33, has been appointed as the executive Director and chief executive officer since 1 April 2021. He is primarily responsible for major corporate decisions, strategic management of operations and resources, as well as planning and implementing the strategic direction of the Group. Currently, Mr. Man assumes various directorships in the Group, including Hebei Nanguan Technology Co., Ltd. and Top Galaxy (Myanmar) Apparel Limited. Mr. Man served as the vice president of Nameson Group Limited from June 2019 to March 2021, responsible for operational management. Prior to joining the Group, he has held managerial positions in the financial sector, including serving as the manager of Winnermax Management Limited from June 2016 to May 2019 and team head of priority banking of Standard Chartered Bank (Hong Kong) Limited from October 2010 to May 2016. Mr. Man received his bachelor's degree of Business in Banking and Finance from Monash University in September 2010. Mr. Man has also served as the vice chairman of Hong Kong Woollen & Synthetic Knitting Manufacturers' Association Limited since June 2020, the president of Hong Kong Industrial & Commercial Association-Youth Link since January 2018, honorary president of Junior Police Call Shatin District Hong Kong since January 2017 and a committee member of the Chinese People's Political Consultative Conference Haizhu District Guangzhou (中國人民政治協商會議廣州市海珠區委員會) since September 2019. Mr. Man Yu Hin is the son-in-law of Mr. Wong Ting Chung, the brother-in-law of Mr. Wong Wai Yue (an executive Director) and the nephew-in-law of Mr. Wong Ting Chun (an executive Director) and Mr. Wong Ting Kau. As Mr. Wong Ting Chung is the settlor, the protector and one of the beneficiaries of the Happy Family Trust (which is a controlling shareholder of the Company), and Mr. Wong Ting Chun and Mr. Wong Ting Kau are therefore controlling shareholders of the Company.

## Biographical Details of Directors and Members of Senior Management (continued)

**Mr. Wong Ting Chun (王庭真)**, aged 55, has been our Director since 30 August 2015. He is the chief production officer of our Group and is primarily responsible for the production management of our PRC factory and Vietnam factory. He joined our Group as the production manager of Nameson Industrial in November 1990 and was responsible for overseeing production and operations management. Currently, Mr. Wong assumes various directorships in our Group, including Huizhou Nanxuan Knitting Factory Limited, Huizhou Liyun Knitting Factory Limited and Hebei Nanguan Technology Co. Ltd. Mr. Wong has over 30 years of working experience in knitting industry. He worked as a production technician in Hang Cheong Knitting Factory (恒昌織造廠) from August 1982 to October 1990. In April 2009, he received the award of Model Worker of Huicheng District in Huizhou (惠州市惠城區勞動模範) issued by Huizhou City Huicheng District Committee of Chinese Communist Party and Huizhou City Huicheng District People's Government (中共惠州市惠城區委及惠州市惠城區人民政府). In January 2011, he received the award of Outstanding Individual of the Construction of Staff Library of Chinese Trade Unions (全國工會職工書屋建設先進個人) issued by All-China Federation of Labour (中華全國總工會). Mr. Wong is the brother of Mr. Wong Ting Chung and Mr. Wong Ting Kau, uncle of Mr. Wong Wai Yue (an executive Director) and uncle-in law of Mr. Man Yu Hin (an executive Director). As Mr. Wong Ting Chung is the settlor, the protector and one of the beneficiaries of the Happy Family Trust (which is a controlling shareholder of the Company), and Mr. Wong Ting Chun and Mr. Wong Ting Kau are beneficiaries of the Happy Family Trust, Mr. Wong Ting Chung, Mr. Wong Ting Chun and Mr. Wong Ting Kau are therefore controlling shareholders of the Company.

**Mr. Li Po Sing (李寶聲)**, aged 56, has been our Director since 30 August 2015. He is the chief sales officer of our Group. He is primarily responsible for the sales management and research and development. Mr. Li joined our Group as a sales manager in February 2000 and was promoted to the senior sales manager in January 2004. He was further promoted to the general merchandising manager in February 2006 and the director of sales and marketing department in April 2007. Prior to joining our Group, Mr. Li served as a merchandising executive at Creazioni Knitters Limited (翹迅針織有限公司) from June 1989 to November 1990. From January 1991 to June 1991, he served as a senior sales administrator at ESE Limited, a sales agency for electronic products, where he was primarily responsible for providing support services to sales department. From July 1991 to August 1992, he served as a production manager at High In Factory, a sweater manufacturing company, where he was primarily responsible for production management. From August 1992 to July 1995, he served as a senior merchandiser at Vinnitsa HK Limited, a fashion agency, where he was primarily responsible for product development and production management. From August 1995 to August 1997, he served as a sales manager at Nice Harvest Knitters Limited, a sweater manufacturing company, where he was primarily responsible for production and logistic management. From June 1998 to January 2000, he served as a sales manager at Fambish Limited, a company primarily engaged in sweater manufacturing, where he was responsible for product development and sales. Mr. Li obtained his bachelor's degree of arts in history from Hong Kong Baptist University (formerly known as Hong Kong Baptist College) in January 1992.

## Biographical Details of Directors and Members of Senior Management (continued)

### NON-EXECUTIVE DIRECTOR

**Mr. Tam Wai Hung, David (譚偉雄)**, aged 71, has been our Director since 30 August 2015. He was a consultant of Nameson Group from June 2012 to March 2018 and was responsible for providing advice on various areas including financing, banking and risk management. Mr. Tam has more than 40 years of experience in commercial banking industry in Hong Kong and China. From January 1968 to March 1999, Mr. Tam worked in The Hongkong and Shanghai Banking Corporation and held various positions including branch manager, district manager, manager in corporate banking and senior executive banking. From March 1999 to January 2012, Mr. Tam worked in Hang Seng Bank Limited and held various positions including assistant general manager, deputy general manager and chief risk officer. Mr. Tam was an independent non-executive director of Dah Sing Financial Holdings Limited (stock code: 440) from December 2018 to June 2021. Mr. Tam has also been an independent non-executive director of Xinyi Glass Holdings Limited (stock code: 868) since December 2012 and Dah Sing Banking Group Limited (stock code: 2356) since June 2021. Mr. Tam became a fellow member of the Institute of Bankers in the United Kingdom and the Hong Kong Institute of Bankers in October 1986 and July 1995 respectively. Mr. Tam received his associateship from the Institute of Bankers in the United Kingdom and completed the Financial Studies Diploma of the Chartered Institute of Bankers in the United Kingdom in December 1974 and August 1987 respectively. Mr. Tam received his master's degree in business administration from the University of Toronto, Canada in June 1991.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. Fan Chiu Fun, Fanny (范椒芬)**, GBM, GBS, JP, aged 68, has been our Director since 29 January 2016. She is a member of the Executive Council of the government of Hong Kong Special Administrative Region. Ms. Fan is an independent non-executive director of CLP Holdings Limited (stock code: 0002), China Unicorn (Hong Kong) Limited (stock code: 0762), Minmetals Land Limited (stock code: 0230), China Taiping Insurance Holdings Company Limited (stock code: 0966) and an external director of China Resources (Holdings) Co., Ltd. Ms. Fan has also been an independent non-executive director of DTXS Silk Road Investment Holdings Company Limited (stock code: 0620) from December 2015 to May 2019. Prior to her retirement from the civil service in 2007, Ms. Fan was the Commissioner of the Hong Kong Independent Commission Against Corruption. During her 30 years working experience in the government departments, Ms. Fan has held various positions in the government of Hong Kong Special Administrative Region, including the Director of the Office of Chief Executive designate, the Commissioner of the Transport Department of Hong Kong, the Secretary and Permanent Secretary of Education and Manpower Bureau of Hong Kong. Ms. Fan graduated from the University of Hong Kong with a bachelor's degree in science in 1975. She received a master degree in public administration from Harvard University, US in 1990 and a master degree in education from the Chinese University of Hong Kong in 2005.

**Mr. Kan Chung Nin, Tony (簡松年)**, SBS, JP, aged 70, has been our Director since 29 January 2016. He founded Tony Kan & Co., Solicitors & Notaries in March 1984 and became the senior consultant in April 2014. Mr. Kan has been a practicing solicitor of the supreme court of Hong Kong since March 1982. Mr. Kan has been an independent non-executive director of Man Wah Holdings Limited (stock code: 1999) since May 2013, Shenzhen Investment Holdings Bay Area Development Company Limited (previously known as Hopewell Highway Infrastructure Limited) (stock code: 0737) since April 2018 and Kimou Environmental Holding Limited (stock code: 6805) since June 2019. Mr. Kan was the non-executive director as well as the chairman of Midland IC&I Limited (stock code: 459) between October 2016 and October 2019, and was the non-executive director of Midland Holdings Limited (stock code: 1200) between March 2014 and October 2016. He has been appointed as a vice chairman of the board of directors of DBG Technology Co., Ltd. (stock code: 300735) which has been listed on Shenzhen Stock Exchange ChiNext on 29 December 2017. Mr. Kan is a solicitor of the supreme court of England and Wales and a barrister and solicitor of the supreme court of the Australian Capital Territory as well as advocate and solicitor of the supreme court of the Republic of Singapore. He is also a China-Appointed Attesting Officer and a Notary Public in Hong Kong. Mr. Kan is currently a committee member of the National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會) and was a committee member of the Chinese People's Political Consultative Conference Guangdong Committee (中國人民政治協商會議廣東省委員會) for three consecutive terms. Mr. Kan is currently a member of the election committee of the chief executive of Hong Kong Special Administrative Region.

## Biographical Details of Directors and Members of Senior Management (continued)

**Mr. Ong Chor Wei (王祖偉)**, aged 51, has been our Director since 29 January 2016. He has extensive experience in finance and accounting. Mr. Ong was, or has been, a director of the following listed companies in the last three years preceding 25 June 2021:

Period of Services	Name of the Companies	Principal business activities	Position	Responsibilities
December 2007 to present	Joyas International Holdings Limited, whose shares are listed on the Singapore Exchange (Stock Code: E9L)	Design, manufacture and sale of metal gift products and jewellery products	Non-executive director	Overseeing the management
June 2010 to present	Net Pacific Financial Holdings Limited, whose shares are listed on the Singapore Exchange (Stock Code: 5QY)	Provision of financing services	Executive director and chief executive officer	Day-to-day operations, strategic planning and major decision making
March 2014 to September 2019	Phimedix Plc (formerly known as Zibao Metals Recycling Holdings Plc) whose shares are listed on the London Stock Exchange (Stock Code: BO)	Trading of recyclable metal	Executive finance director	Overseeing the finance function within Zibao Metals Recycling Holdings Plc and its subsidiaries
March 2010 to present	Man Wah Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1999)	Production and sales of sofas	Non-executive director redesignated to independent non-executive director	Board oversight and providing independent judgement
April 2010 to October 2020	O-Net Technologies (Group) Limited (formerly known as O-Net Communications (Group) Limited), whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 877)	Design, manufacturing and sale of optical networking subcomponents, modules and subsystem used in high-speed telecommunications and data communications	Independent non-executive director	Board oversight and providing independent judgement
November 2015 to present	Denox Environmental & Technology Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1452)	Manufacturing platetype DeNox catalysts	Independent non-executive director	Board oversight and providing independent judgement
December 2017 to October 2020	Prosperous Printing Company Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8385)	Provision of printing products	Non-executive director	Board oversight and providing independent judgement
June 2017 to February 2019	Vico International Holdings Limited whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1621)	Distribution of diesel and lubricant oil and fuel cards services	Non-executive director	Board oversight and providing independent judgement
December 2017 to present	Smart Globe Holdings Limited whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1481)	Provision of printing products	Independent non-executive director	Board oversight and providing independent judgement

## Biographical Details of Directors and Members of Senior Management (continued)

Mr. Ong received a bachelor of laws from The London School of Economics and Political Science in August 1990. Mr. Ong also received a distance learning degree in master of business administration which was jointly awarded by the University of Wales and the University of Manchester, United Kingdom in March 2000. Mr. Ong has been an associate of The Institute of Chartered Accountants in England and Wales and an associate of the Hong Kong Society of Accountants since December 1993 and October 1995, respectively.

**Mr. Fan Chun Wah, Andrew (范駿華), JP**, aged 42, has been our Director since 29 January 2016. He has been the managing director of Fan. Mitchell., & Co Limited (尚德會計師事務所有限公司) since September 2017 and the managing director of C.W. Fan & Co. Limited (泛華會計師事務所有限公司) since November 2013. Mr. Fan was, or has been, a director of the following companies in the last three years preceding 25 June 2021:

Period of Services	Name of the Companies	Principal business activities	Position	Responsibilities
January 2013 to present	Chuang's China Investments Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0298)	Property investment and development in Hong Kong and China	Independent non-executive Director	Board oversight and independent management
March 2014 to June 2020	Sinomax Group Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1418)	Marketing, manufacture, and distribution of visco-elastic health and wellness products	Independent non-executive Director	Board oversight and independent management
October 2014 to May 2021	Fulum Group Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1443)	Operation of fullservice restaurant chain serving Cantonese cuisine in Hong Kong and in China	Independent non-executive Director	Board oversight and independent management
April 2015 to present	Culturecom Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0343)	Publishing comic books and provision of media content in Hong Kong, China, and Macau	Independent non-executive Director	Board oversight and independent management
June 2017 to November 2020	Omnibridge Holdings Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8462)	Human resources outsourcing and recruitment services	Independent non-executive Director	Board oversight and independent management
December 2017 to December 2019	Sanbase Corporation Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8501)	Provision of interior office fit-out management and solutions services	Independent non-executive Director	Board oversight and independent management
December 2017 to present	Space Group Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 2448)	Provision of fitting-out works and building construction works in Macau	Independent non-executive Director	Board oversight and independent management

## Biographical Details of Directors and Members of Senior Management (continued)

<b>Period of Services</b>	<b>Name of the Companies</b>	<b>Principal business activities</b>	<b>Position</b>	<b>Responsibilities</b>
January 2018 to August 2020	CNC Holdings Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8356)	Provision of civil engineering services for the public sector in Hong Kong and television broadcasting business in Asia-Pacific region	Independent non-executive Director	Board oversight and independent management
April 2019 to October 2020	Universal Star (Holdings) Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 2346)	Manufacturer of sintered NdFeB magnetic materials	Independent non-executive Director	Board oversight and independent management

Mr. Fan received the bachelor of business administration in accounting and finance from the University of Hong Kong in December 1999 and the bachelor of laws from University of London as an external student in August 2007. In January 2003 and September 2011, Mr. Fan was admitted as a member of the Hong Kong Society of Accountants and a fellow member of the Association of Chartered Certified Accountants. He is also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Fan has been a member of the 10th to the 12th Zhejiang Province Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議浙江省第十屆至第十二屆委員會) since 2007. He was a member of the 4th and the 5th Shenzhen Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省深圳市第四屆及第五屆委員會) from 2008 to 2015.

**Ms. Lee Bik Kee, Betty (李碧琪)**, aged 70, has been our Director since 29 January 2016. She has over 45 years of experience in overall operational management in the apparel and textile industries. She served as an Executive Vice President in Bonaventure Textiles Ltd from 1989 to 1990 where Ms. Lee was responsible for production management. From 1991 to 2013, Ms. Lee worked as an Executive Vice President in Mast Industries (Far East) Ltd and MGF Sourcing Far East Ltd, each a garment sourcing agent respectively, where she was responsible for apparel procurement and production management. She was engaged in management role since 1977 with H.I.S. Sportswear Ltd, and was Executive Director of Murjani Industries (HK) Ltd till 1989. Ms. Lee graduated from Maryknoll Convent School with a commercial diploma in 1969.

**Mr. Ip Shu Kwan, Stephen (葉澍堃)**, GBS, JP, aged 69, has been our Director since 16 April 2018. Mr. Ip was graduated from the University of Hong Kong with a degree in social sciences in 1973. Mr. Ip joined the Hong Kong Government in November 1973 and was promoted to the rank of Director of Bureau in April 1997. He worked in the Hong Kong Government as a Principal Official from July 1997 to June 2007. Mr. Ip held certain senior positions which include Commissioner of Insurance, Commissioner for Labour, Secretary for Economic Services and Secretary for Financial Services. Mr. Ip took up the position of Secretary for Economic Development and Labour in July 2002. His portfolio in respect of economic development covered air and sea transport, logistics development, tourism, energy, postal services, meteorological services, competition and consumer protection. He was also responsible for labour policies including matters relating to employment services, labour relations and employees rights.

In his capacity as Secretary for Economic Development and Labour, Mr. Ip was a member of the Hong Kong Airport Authority Board, the Mandatory Provident Fund Schemes Authority Board, the Hongkong International Theme Parks Limited Board as well as the Chairman of the Logistics Development Council, Port Development Board, Maritime Industry Council and Aviation Development Advisory Committee. Mr. Ip retired from the Hong Kong Government in July 2007. Mr. Ip received the Gold Bauhinia Star award from the Hong Kong Government in 2001, and is an unofficial Justice of the Peace. Mr. Ip was an independent non-executive director of Synergis Holdings Limited (stock code: 2340) from September 2008 to December 2017. Mr. Ip is currently an independent non-executive director of six companies listed on the Main Board of the Stock Exchange namely, China Resources Cement Holdings Limited (stock code: 1313) since August 2008, Lai Sun Development Company Limited (stock code: 488) since December 2009, Kingboard Laminates Holdings Limited (stock code: 1888) since May 2011, Luk Fook Holdings (International) Limited (stock code: 590) since October 2011, Million Cities Holdings Limited (stock code: 2892) since June 2018 and C-MER Eye Care Holdings Limited (stock code: 3309) since November 2020.

## Biographical Details of Directors and Members of Senior Management (continued)

### SENIOR MANAGEMENT

**Mr. Tao Chi Keung (陶志強)**, aged 50, is the chief financial officer of our Group and the company secretary of our Company. He is primarily responsible for our Group's overall financial planning and reporting, financial risk management and company secretarial matters. Mr. Tao joined our Group on 30 August 2015. Mr. Tao possesses extensive experience in financial management and auditing and had held a number of senior positions prior to joining our Group. From July 1993 to February 1996, Mr. Tao worked as a staff accountant in Ernst & Young. From March 1996 to May 1998, he was the accounting manager in FT Holdings International Limited (stock code: 559). From June 1998 to October 1999, Mr. Tao worked as an assistant manager in New World China Land Limited (stock code: 917). He worked in KPMG as a manager from October 1999 to March 2004, and PricewaterhouseCoopers as a senior audit manager from April 2004 to October 2009. From December 2009 to September 2010, Mr. Tao worked as a chief finance officer in Birdland (Hong Kong) Limited, where he was responsible for finance and accounting. From October 2010 to July 2011, Mr. Tao worked as a chief financial officer in Chiaus International Group Company Limited, an investment holding company engaged in, through its subsidiaries, manufacturing baby and children's care products, where he was responsible for financial management. From October 2011 to August 2015, Mr. Tao worked in Kinetic Mines and Energy Limited (stock code: 1277), with the latest positions of company secretary and chief financial officer. Mr. Tao received his bachelor's degree in business administration from Hong Kong Baptist University (formerly known as Hong Kong Baptist College) in December 1993. Mr. Tao is currently a fellow and a practising Certified Public Accountant of Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

**Mr. Chan Yiu Tung (陳耀東)**, aged 50, is the merchandising director of our Group. He is primarily responsible for merchandising management for Japanese market in our Group. Mr. Chan joined our Group as a senior merchandiser in December 1997. In January 2003, he was promoted to the merchandising manager and later in April 2005, he was promoted to the sales manager. Further, in February 2006, he was promoted to the senior merchandising manager and in January 2008, he was promoted to merchandising director. Prior to joining our Group, from 1991 to 1996, Mr. Chan worked as a senior merchandiser in Products Union Garment Ltd, a company principally engaged in the manufacturing of garment. Mr. Chan passed Hong Kong Certificate of Education Examination in 1989.

**Mr. Lin Guoxin (林國新)**, aged 50, is the assistant general manager of our PRC factory. He is primarily responsible for the production management in our PRC factory. Mr. Lin joined our Group as a plant manager at Nanxuan Knitting in November 1995, where he was responsible for overseeing and managing the production process. He was promoted to assistant general manager of the production department in October 2005, where he was responsible for managing and supervising overall production operations in our PRC factory. Mr. Lin is the cousin of Mr. Wong Ting Chung, Mr. Wong Ting Chun and Mr. Wong Ting Kau.

**Mr. Mo Erjin (莫二金)**, aged 53, is the assistant general manager of our PRC factory. He is primarily responsible for supervising sample development in our PRC factory. Mr. Mo joined our Group as the chief of the technical centre in March 2003 and was further promoted to assistant general manager in January 2008 and was responsible for the management of the sample development in our PRC factory. Prior to joining our Group, Mr. Mo served as a knitting technician at Foshan Zhangcha Knitting Factory (佛山張槎毛衫廠), from October 1986 to March 1989. From March 1989 to February 2002, he served as a knitting team leader at Laws Fashion Knitters Limited (羅氏針織有限公司).

# Love for Innovation



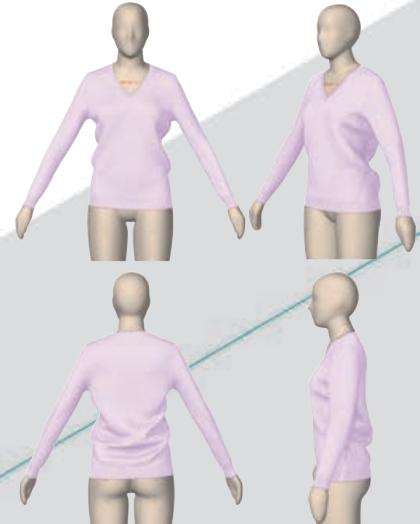
- 1 / **Direction**
- 2 / **Seasons**
- 3 / **Collections**
- 4 / **Design Teams**



**Technological Application:**  
Out-of-the-box solution, caring  
for the environment



**Early adaptation  
of Virtual Sampling:**  
simulation raises cost and  
time efficiency



# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

As the Company believes that good corporate governance can create value for its shareholders, the Board is committed to maintaining a high standard of corporate governance practices by placing strong emphasis on a quality board of directors, sound internal controls and effective accountability to the shareholders as a whole.

In the opinion of the Directors, save for the deviation from code provision A.2.1 which is explained below, the Company has complied with all the mandatory code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Listing Rules for the year ended 31 March 2021.

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wong Ting Chung ("Mr. Wong") has been the chairman and the chief executive officer of the Group during the year ended 31 March 2021. In view of the fact that Mr. Wong is one of the founders of the Group and has been assuming day-to-day responsibilities in operating and managing the Group since September 1990, the Board believes that it is in the best interest of the Group to have Mr. Wong taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from the code provision A.2.1 is appropriate in such circumstances. Notwithstanding the above, the Board is of the view that this management structure is effective for the Group's operations, while sufficient checks and balances are in place and will not impair the balance of power and authority between the Board and the management of the Company.

The Board will continue to enhance its corporate governance practices to ensure that it complies with the CG Code and align with the latest developments.

## DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code for securities transactions by the Directors.

All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code and the Company's code of conduct for the year ended 31 March 2021.

Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on terms no less exacting than the required standards set out in the Model Code. Each of the relevant employees has been given a copy of the written guidelines.

No incident of non-compliance with these guidelines by the relevant employees has been notified to the Company for the year ended 31 March 2021.

## THE BOARD OF DIRECTORS

### Responsibilities of the Board

The Board is responsible for, and has general powers under the memorandum and articles of association of the Company for, the leadership and oversight of the Company's management and performance and the formulation and review of the Group's overall policies and strategies.

The Board is also responsible for performing corporate governance duties, including the (i) development and review of the Company's policies and practices on corporate governance; and (ii) review of the Company's compliance with Appendix 14 to the Listing Rules and disclosures in the corporate governance report. All major decisions, including but not limited to those decisions affecting the financial results, operations and shareholders of the Company, such as financial statements, business acquisitions, major transactions and dividend policies, are made by the Board as a whole. Each Director is aware of his or her fiduciary duties and duties and responsibilities as a director under the Listing Rules, the CG Code and applicable laws and regulations, and has acted objectively for the benefit and best interests of the Company and its shareholders.

Decisions of the Board are communicated to the senior management through executive Directors. The day-to-day management, administration and operation of the Group are delegated to the executive Directors and an independent senior management team. The senior management team is also responsible for the supervision and execution of the Group's business plans. The Board reviews periodically the performance of the senior management team.

Certain functions and responsibilities are delegated to committees established by the Board. For details, please refer to the sub-sections headed "Executive Committee", "Audit Committee", "Remuneration Committee" and "Nomination Committee" below.

### Composition of the Board

As at the date of this annual report, the Board comprises of four executive Directors, one non-executive Director and six independent non-executive Directors whose names are listed below. Each member of the Board brings a wide spectrum of valuable experience, knowledge and expertise to the Board for its efficient and effective functioning.

## Corporate Governance Report (continued)

### **Board of Directors**

#### **Executive Directors**

Mr. Wong Ting Chung (*Chairman and Chief Executive Officer*) (*Resigned with effect from 1 April 2021*)

Mr. Wong Wai Yue (*Vice-Chairman*) (*Re-designated as the Chairman with effect from 1 April 2021*)

Mr. Man Yiu Hin (*Appointed as an executive Director and the Chief Executive Officer with effect from 1 April 2021*)

Mr. Wong Ting Chun

Mr. Li Po Sing

#### **Non-executive Directors**

Mr. Tam Wai Hung, David

Mr. Wong Ting Kau (*Resigned with effect from 1 April 2021*)

#### **Independent non-executive Directors**

Ms. Fan Chiu Fun, Fanny

Mr. Kan Chung Nin, Tony

Mr. Ong Chor Wei

Mr. Fan Chun Wah, Andrew

Ms. Lee Bik Kee, Betty

Mr. Ip Shu Kwan, Stephen

Except for the family relationship between Mr. Wong Ting Chung, Mr. Wong Wai Yue, Mr. Wong Ting Chun, Mr. Man Yu Hin and Mr. Wong Ting Kau as disclosed in the section headed "Biographical Details of Directors and Members of Senior Management" of this annual report, there is no financial, business, family or other relevant relationship between the Directors.

For the year ended 31 March 2021, the Company has complied with the requirements of the Listing Rules to have at least three independent non-executive Directors representing at least one-third of the Board with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

Having considered the factors for assessing the independence of independent non-executive Directors under Rule 3.13 of the Listing Rules and the written annual confirmations from each independent non-executive Director, the Board considers all of its independent non-executive Directors to be independent.

The list of Directors (by category) is disclosed in all corporate communications issued by the Company pursuant to the Listing Rules. A list of the Company's Directors identifying their roles and functions is also available on the Company's website at [www.namesonholdings.com](http://www.namesonholdings.com) and on the website of the Stock Exchange.

## **Terms of Appointment of Directors**

### **Executive Directors and Non-executive Directors**

Each of the executive Directors and non-executive Directors has entered into a service contract for a fixed term of three years. The appointment may be terminated by not less than three months' notice in writing served by either the relevant Director or the Company.

### **Independent non-executive Directors**

Each of the independent non-executive Directors was appointed by the Company for a fixed term of three years commencing from their respective dates of appointment. The appointment may be terminated by not less than three months' notice in writing served by either the relevant Director or the Company.

## **Nomination, Appointment, Re-election and Removal Procedures**

The procedures and process of appointment, re-election and removal of Directors are set out in the Company's articles of association. Every Director is subject to the provisions of retirement by rotation at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his or her appointment and be subject to re-election at such meeting.

The nomination committee of the Board has been established to review the structure, size and composition of the Board at least annually to ensure that the Board has a balance of expertise, skills and experience appropriate to meet the requirements of the Company. This committee will identify individuals who are qualified or suitable for directorship, assess their qualifications, skills, prior experience, character and other relevant aspects, including but not limited to their independence in the case of an independent non-executive Director candidate, and make recommendations to the Board on the appointment or re-appointment of Directors or the filling of casual vacancies on the Board or any other proposed changes to the Board to complement the Company's corporate strategies. Please refer to the sub-section headed "Nomination Committee" below for more details on the nomination committee of the Board.

## **Board Practices and Conduct of Meetings**

Directors are given the opportunity to include matters in the agenda for Board meetings with notices of regular Board meetings given or to be given at least 14 days in advance. Notices and agenda of the Board meetings are prepared by the company secretary of the Company as delegated by the chairman. Directors are provided with adequate and timely information to allow them to fulfill their duties properly. They are allowed to seek independent professional advice in appropriate circumstances at the Company's expenses.

Directors are encouraged to make a full and active contribution to the Board's affairs and to voice out their views and concerns. Directors are supplied with sufficient information and given sufficient time for discussion to ensure that Board decisions fairly reflect Board consensus.

A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested. Subject to the articles of association of the Company, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested.

Minutes of Board meetings and meetings of Board committees containing sufficient detail of the matters considered and decisions reached, including any concerns raised or dissenting views expressed, are sent to each Director for their review, comment and records within a reasonable time after each meeting. Final versions of such minutes are kept by the company secretary of the Company and are open for inspection by Directors upon reasonable notice.

## Corporate Governance Report (continued)

### Directors' Attendance Records

During the year ended 31 March 2021, five physical Board meetings were held at which the Directors reviewed and approved, among other things, (i) the restructuring of the Group's knitted uppers for footwear and knitted upper shoes business; (ii) the annual results and report of the Group for the year ended 31 March 2020; (iii) the quarterly results of the Group for the three months ended 30 June 2020; (iv) the interim results and report of the Group for the six months ended 30 September 2020; and (v) the quarterly results of the Group for the nine months ended 31 December 2020.

The attendance records of individual Directors at the aforementioned Board meetings and at the Company's annual general meeting held on 21 August 2020 are set out below:

Name of Director	Attendance/Number of Meetings (Board meetings)	Attendance/Number of Meetings (Annual general meeting)
<b>Executive Directors</b>		
Mr. Wong Ting Chung ( <i>Chairman and Chief Executive Officer</i> ) <i>(Resigned with effect from 1 April 2021)</i>	5/5	1/1
Mr. Wong Wai Yue ( <i>Vice-Chairman</i> ) <i>(Re-designated as the Chairman with effect from 1 April 2021)</i>	5/5	1/1
Mr. Man Yu Hin ( <i>Appointed as an executive Director and the Chief Executive Officer with effect from 1 April 2021</i> )	N/A	N/A
Mr. Wong Ting Chun	5/5	1/1
Mr. Li Po Sing	5/5	1/1
<b>Non-executive Directors</b>		
Mr. Tam Wai Hung, David	5/5	1/1
Mr. Wong Ting Kau ( <i>Resigned with effect from 1 April 2021</i> )	5/5	1/1
<b>Independent non-executive Directors</b>		
Ms. Fan Chiu Fun, Fanny	5/5	1/1
Mr. Kan Chung Nin, Tony	5/5	1/1
Mr. Ong Chor Wei	5/5	1/1
Mr. Fan Chun Wah, Andrew	5/5	1/1
Ms. Lee Bik Kee, Betty	5/5	1/1
Mr. Ip Shu Kwan, Stephen	5/5	1/1

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Wong Ting Chung serves as the chairman and chief executive officer of the Company. He is responsible for the overall management business and formation of corporate strategy of our Group. With the support of the executive Directors and the company secretary, the chairman approves the agenda for, and chairs, Board meetings to ensure that all key and appropriate issues are discussed in a timely manner, including any matters proposed by other Directors. He is responsible for the effective functioning of the Board, including but not limited to taking steps to ensure that all Directors are properly briefed on issues arising at Board meetings, providing all Directors with adequate information which is accurate, clear, complete and reliable in a timely manner, communicating shareholders' views to the Board as a whole and promoting a culture of openness and constructive debate during Board meetings.

## BOARD COMMITTEES

### Executive Committee

The executive committee of the Board was established with written terms of reference setting out its authority delegated by the Board. The primary duties of the executive committee include (but without limitation) (i) general management which includes, supervising the day-to-day management, performance and operations of the Group; (ii) assessing and making recommendations to the Board on major acquisitions of or investments in business or operations; and (iii) undertaking the role of risk management within the Company to minimise or mitigate major risks to the operations of the Group. For the year ended 31 March 2021, the executive committee comprises all executive Directors, namely, Mr. Wong Ting Chung (Chairman of the executive committee) (who resigned with effect from 1 April 2021), Mr. Wong Wai Yue, Mr. Wong Ting Chun and Mr. Li Po Sing. The written terms of reference of this committee has been made available on the Company's website at [www.namesonholdings.com](http://www.namesonholdings.com) and on the website of the Stock Exchange.

### Audit Committee

The audit committee of the Board was established with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG Code. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by the Board. For the year ended 31 March 2021, the audit committee consists of one non-executive Director, Mr. Tam Wai Hung, David, and four independent non-executive Directors, namely, Mr. Ong Chor Wei (chairman of the audit committee who possesses the appropriate professional qualification or accounting or related financial management expertise), Mr. Kan Chung Nin, Tony, Mr. Fan Chun Wah, Andrew and Mr. Ip Shu Kwan, Stephen. The written terms of reference of this committee has been made available on the Company's website at [www.namesonholdings.com](http://www.namesonholdings.com) and on the website of the Stock Exchange.

The audit committee held two physical meetings during the year ended 31 March 2021. In these two meetings, the audit committee discussed and reviewed, among other things, (i) the accuracy and fairness of the Group's audited annual results for the year ended 31 March 2020 and unaudited interim results for the six months ended 30 September 2020; (ii) the work of the Group's internal audit department; and (iii) the effectiveness of the Group's risk management and internal control systems.

The attendance records of individual audit committee members at the aforementioned audit committee meetings are set out below:

Name of audit committee member	Attendance/ Number of Meetings
Mr. Ong Chor Wei ( <i>Chairman</i> )	2/2
Mr. Kan Chung Nin, Tony	2/2
Mr. Tam Wai Hung, David	2/2
Mr. Fan Chun Wah, Andrew	2/2
Mr. Ip Shu Kwan, Stephen	2/2

The external auditors were invited to attend the meetings without the presence of the executive Directors to discuss with the audit committee members about issues relating to the audit and financial reporting matters. An audit committee meeting was held on 25 June 2021 to consider and review, among other things, the Group's annual results and annual report for the year ended 31 March 2021. It was attended by Mr. Ong Chor Wei, Mr. Kan Chung Nin, Tony, Mr. Tam Wai Hung, David, Mr. Fan Chun Wah, Andrew and Mr. Ip Shu Kwan, Stephen.

## Corporate Governance Report (continued)

### Remuneration Committee

The remuneration committee of the Board was established with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the CG Code. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the share option scheme of the Company. For the year ended 31 March 2021, the remuneration committee consists of one executive Director, Mr. Wong Ting Chung (who resigned with effect from 1 April 2021), and two independent non-executive Directors, Mr. Kan Chung Nin, Tony (chairman of the remuneration committee) and Mr. Ong Chor Wei. The written terms of reference of this committee has been made available on the Company's website at [www.namesonholdings.com](http://www.namesonholdings.com) and on the website of the Stock Exchange.

The remuneration committee held two physical meetings during the year ended 31 March 2021. In the meetings, the remuneration committee discussed and reviewed, among other things, the remuneration packages of the Directors and senior management.

The attendance records of individual remuneration committee members at the aforementioned remuneration committee meetings are set out below:

Name of remuneration committee member	Attendance/ Number of Meetings
Mr. Kan Chung Nin, Tony ( <i>Chairman</i> )	2/2
Mr. Wong Ting Chung ( <i>Resigned with effect from 1 April 2021</i> )	2/2
Mr. Wong Wai Yue ( <i>Appointed with effect from 1 April 2021</i> )	N/A
Mr. Ong Chor Wei	2/2

### Nomination Committee

The nomination committee of the Board was established with written terms of reference in compliance with paragraph A5 of the CG Code. It is responsible for determining the policy for the nomination of directors, identifying and recommending to the Board appropriate candidates to serve as Directors, evaluating the structure and composition of the Board and developing, recommending to the Board and monitoring nomination guidelines for the Company. For the year ended 31 March 2021, the nomination committee consists of two executive Directors, Mr. Wong Ting Chung (chairman of the nomination committee) (who resigned with effect from 1 April 2021) and Mr. Wong Wai Yue, and three independent non-executive Directors, Mr. Kan Chung Nin, Tony, Mr. Ong Chor Wei and Ms. Lee Bik Kee, Betty. The written terms of reference of this committee has been made available on the Company's website at [www.namesonholdings.com](http://www.namesonholdings.com) and on the website of the Stock Exchange.

## Corporate Governance Report (continued)

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the nomination committee shall consider a variety of factors including but not limited to the following in assessing the suitability of the proposed candidate:

- Reputation for integrity;
- Accomplishment, experience and knowledge in the garment industry and other relevant sectors;
- Merit and contribution that candidate will bring to the Board;
- Commitment to devote sufficient time and efforts to the Company's affairs;
- Achieve board diversity, including but not limited to gender, age, cultural background, educational background, industry experience and professional experience; and
- Compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive Director if the proposed candidate will be nominated as an independent non-executive Director.

The nomination committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company as a nominee for election to the Board and the appointment or re-appointment of Directors and succession planning for Directors is subject to the approval of the Board.

The nomination committee held one physical meeting during the year ended 31 March 2021. In the meeting, the nomination committee discussed and reviewed, among other things, (i) the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the Group's business and is in compliance with the requirements of the Listing Rules; (ii) the recommendation on re-election of retiring Directors at the forthcoming annual general meeting; and (iii) the appointment of a new executive Director and changes in composition of the Board committees.

The attendance records of individual nomination committee members at the aforementioned nomination committee meeting are set out below:

Name of nomination committee member	Attendance/ Number of Meetings
Mr. Wong Ting Chung (Chairman) ( <i>Resigned with effect from 1 April 2021</i> )	1/1
Mr. Wong Wai Yue ( <i>Appointed as the Chairman with effect from 1 April 2021</i> )	1/1
Mr. Man Yu Hin ( <i>Appointed with effect from 1 April 2021</i> )	N/A
Mr. Kan Chung Nin, Tony	1/1
Mr. Ong Chor Wei	1/1
Ms. Lee Bik Kee, Betty	1/1

## Corporate Governance Report (continued)

### Board Diversity

The Company recognises and embraces the importance and benefit achieving diversity on the Board has on corporate governance and board effectiveness. During the year ended 31 March 2021, the Company monitored the Board composition with regard to its diversity policy which requires board appointments to be made on a merit basis with due regard for the benefits of the diversity of Board members. Selection of candidates will be based on a wide range of diversity perspectives, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The nomination committee has developed measurable objectives to implement the board diversity policy and would monitor the progress in achieving these objectives.

### EXTERNAL AUDITOR'S REMUNERATION

The amount of fees charged by the Company's external auditor, PricewaterhouseCoopers, in respect of their audit and non-audit services for the year ended 31 March 2021 including the review of interim financial information for the six months ended 30 September 2020 amounted to HK\$2.8 million and HK\$0.7 million, respectively.

### THE COMPANY SECRETARY

The company secretary plays a role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The company secretary is responsible for advising the Board through the chairman and/or the chief executive officer on corporate governance matters and should also facilitate induction and professional development of Directors. Specific enquiry has been made to the company secretary of the Company, Mr. Tao Chi Keung ("Mr. Tao"), and Mr. Tao has confirmed that he has complied with the relevant qualifications, experience and training requirements under the Listing Rules.

### DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has arranged Directors' and Officers' Liability insurance for its Directors and senior management. The insurance covers the corresponding costs, charges, expenses and liabilities for any legal action of corporate activities against them arising out of corporate activities.

## DIRECTORS' TRAINING

According to the code provision A.6.5 of the CG Code, Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All the Directors are also encouraged to attend relevant training courses at the Company's expenses.

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code for the year ended 31 March 2021 and they participated in the following types of continuous professional development:

Name of Director	Type of continuous professional development
<b>Executive Directors</b>	
Mr. Wong Ting Chung ( <i>Chairman and Chief Executive Officer</i> ) ( <i>Resigned with effect from 1 April 2021</i> )	(I), (II)
Mr. Wong Wai Yue ( <i>Vice-Chairman</i> ) ( <i>Re-designated as the Chairman with effect from 1 April 2021</i> )	(I), (II)
Mr. Man Yu Hin ( <i>Appointed as an executive Director and the Chief Executive Officer with effect from 1 April 2021</i> )	N/A
Mr. Wong Ting Chun	(I), (II)
Mr. Li Po Sing	(I), (II)
<b>Non-executive Directors</b>	
Mr. Tam Wai Hung, David	(I), (II)
Mr. Wong Ting Kau ( <i>Resigned with effect from 1 April 2021</i> )	(I), (II)
<b>Independent non-executive Directors</b>	
Ms. Fan Chiu Fun, Fanny	(I), (II)
Mr. Kan Chung Nin, Tony	(I), (II)
Mr. Ong Chor Wei	(I), (II)
Mr. Fan Chun Wah, Andrew	(I), (II)
Ms. Lee Bik Kee, Betty	(I), (II)
Mr. Ip Shu Kwan, Stephen	(I), (II)
(I) Attending seminars/webinars.	
(II) Reading/watching materials in relation to the roles, functions and duties of a listed company director and the latest developments in the relevant rules and regulations.	

## Corporate Governance Report (continued)

### **INVESTOR COMMUNICATIONS AND SHAREHOLDERS' RIGHTS**

The Company considers timely communication to shareholders and/or investors and transparent reporting as key components of good corporate governance.

The Company aims to maintain frequent and timely communication with its shareholders and/or investors through a variety of communication channels, including but not limited to general meetings, annual and interim reports and official announcements. General meetings provide a platform for shareholders to exchange views with the Board and the Directors are available to answer questions at the Company's annual general meetings. Shareholders will be sent a copy of the annual and interim reports or be notified of the release of such reports. Annual and interim reports are accessible on the website of the Stock Exchange and the Company's website at [www.namesonholdings.com](http://www.namesonholdings.com), where general information on the Group's business and activities is available for public access. Official announcements will be released from time to time in accordance with the Listing Rules to update our shareholders and/or investors with the latest developments of the Group.

Voting at general meetings of the Company is conducted by way of poll in accordance with the Listing Rules. The poll results will be published on the websites of the Stock Exchange and the Company, respectively.

Pursuant to article 58 of the Company's existing articles of association, one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings may deposit a written requisition (the "Written Requisition") to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in the Written Requisition. Such meeting shall be held within two months after the deposit of the Written Requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders and investors are also welcome to submit any enquiries to the Board and suggestions or proposals at general meetings directly to the Company's principal place of business in Hong Kong as provided in the section headed "Corporate Information" in this annual report.

The Board also encourages shareholders to attend general meetings to make enquiries with the Board directly.

### **CONSTITUTIONAL DOCUMENTS**

The amended and restated articles of association of the Company has been conditionally adopted on 29 January 2016 with effect from the date of listing of the Company on the Stock Exchange. During the year ended 31 March 2021, there is no change to the memorandum of association and amended and restated articles of association of the Company.

The Company has published its memorandum of association and amended and restated articles of association on the Company's website at [www.namesonholdings.com](http://www.namesonholdings.com) and on the website of the Stock Exchange.

### **ACCOUNTABILITY**

The Directors have included a management discussion and analysis of the Group's performance for the year ended 31 March 2021 under the section headed "Management Discussion and Analysis" of this annual report.

## INTERNAL CONTROLS AND RISK MANAGEMENT

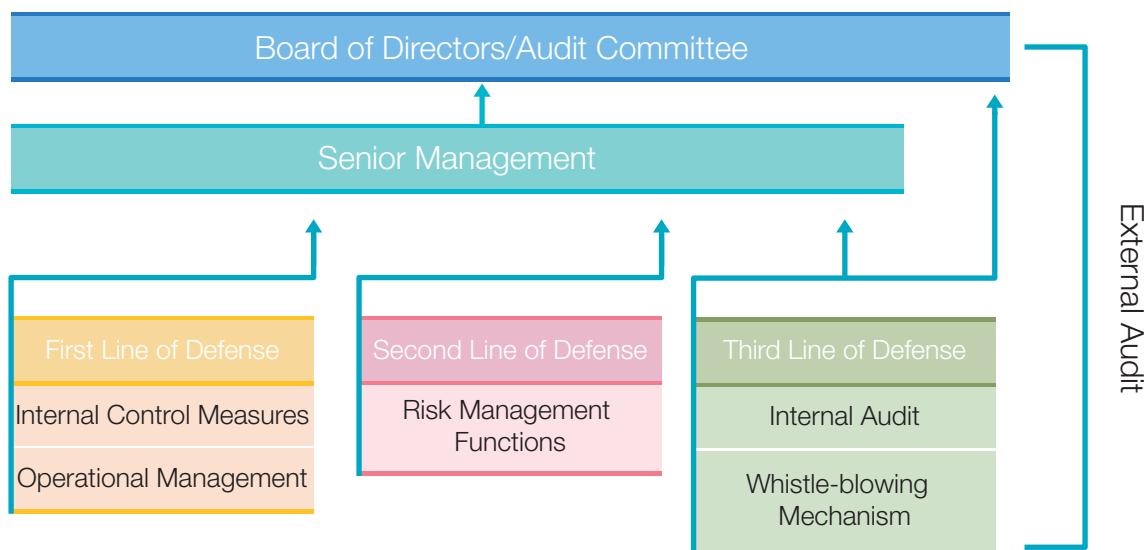
The Group has an internal control system which plays an important role in maintaining and improving accountability and transparency in the conduct of the Group's business, safeguarding the interests of the Company's shareholders and the assets of the Group and enhancing investor confidence. On the other hand, the Group improves its business and operational activities by identifying the areas of significant risks and taking appropriate measures to manage and mitigate these risks. The management of the Company reviews the significant internal control policies and procedures and highlights all significant matters to the audit committee and the Board on a regular basis.

### Main Features of Risk Management and Internal Control Systems

We adopt the following risk structure to identify, analyse, evaluate and manage the risks associated with the Group. Our internal control system is developed based on the framework of Committee of Sponsoring Organizations of the Treadway Commission, which covers five components, namely Control Environment, Risk Assessment, Control Activities, Information and Communication as well as Monitoring Activities.

### Risk Governance Framework

The Group's risk governance framework is guided by the "Three Lines of Defense" model, with the objective to achieve risk management by means of internal control measures, operational management, risk management functions, internal audit and whistle-blowing mechanism.

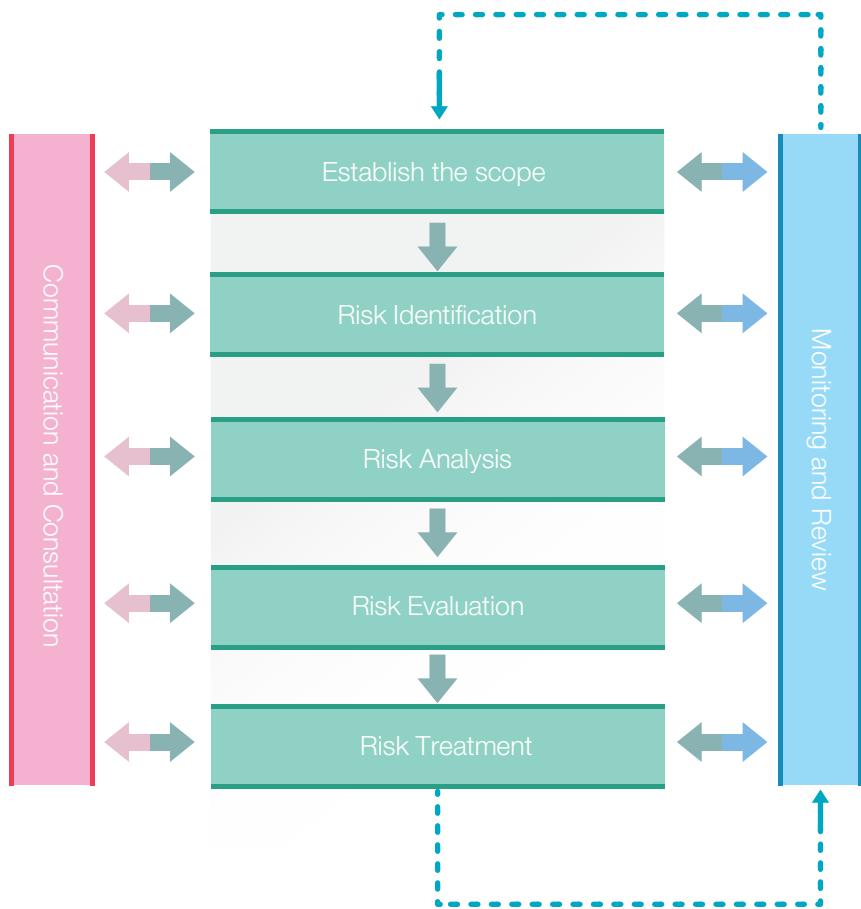


Being the first line of defense, the Group's business unit is responsible for identifying, evaluating and monitoring the risks associated with each business or transaction, minimising the potential risks posed to business operations through various policies, procedures of operational management and internal control measures. The second line of defense is to set the categories and scope for managing specific risks and to raise queries to the first line of defense on effective risk management and control. The third line of defense is the internal audit and whistle-blowing mechanism. Internal audit is a risk-based approach to determine whether significant monitoring measures can effectively control the risks exposed to the Group.

## Corporate Governance Report (continued)

The controls built into the risk management system are intended to manage rather than completely eliminate significant risks in the Group's business environment. The Group's risk management procedures include the followings:

- to identify significant risks in the Group's operational environment and evaluate the impact of those risks on the Group's business;
- to develop necessary measures to manage those risks; and
- to monitor and review the effectiveness of the measures.



## Process Used for Identifying, Evaluating and Managing Significant Risks

The process used by the Group to identify, evaluate and manage significant risks are briefly described as follows:

### **Establish the scope**

- Establish the scope for assessing risk profiles and set the assessment criteria.

### **Risk Identification**

- The Group adopts a bottom-up approach to identify risks that may have potential impact on the Group's business and operations.

### **Risk Analysis**

- Mainly analyse from the two perspectives of the possibility of the occurrence of risks and the extent of the impact of those risks on the Group's objectives.

### **Risk Evaluation**

- Evaluate the extent of identified risks using the assessment criteria established by the management; and
- Consider the impact of those risks on the business and the possibility of their occurrence.

### **Risk Treatment**

- Prioritise risks by comparing the results of risk evaluation; and
- Risk management strategies and internal control procedures are established by operational management to prevent, avoid or mitigate risks through internal monitoring units.

### **Monitoring and Review**

- Monitor risks on an ongoing and regular basis, and establish appropriate internal control procedures based on the production and operational process;
- In the event of any major changes in the production and operational process, review the risk management policy and revise the internal control procedures (if necessary); and
- Report the results of risk monitoring to the management, audit committee and Board on a regular basis.

### **Communication and Consultation**

- It is necessary to communicate and consult with internal and external stakeholders in each step of the risk management process.

Risks are classified into six different categories for assessment: strategy, finance, operations, compliance, external environment and human capital. The Risk Register records the major risks exposed to the major operating units of the Group. The Group has classified the major risks based on the aforesaid categories that may have a significant impact on the Group, and will regularly assess the potential impact and possibility of each major risk on the Group. For significant risks, each operating unit shall propose and implement mitigation actions.

Each operating unit shall submit an update on its respective Risk Register every six months for compiling the Group's risk management report.

## Corporate Governance Report (continued)

The Board confirms that it is responsible for monitoring the risk management and internal control systems of the Group, which includes taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. It is also responsible for reviewing their effectiveness through the audit committee at least annually. Such reviews cover all material controls, including financial, operational and compliance controls. The risk management and internal control systems are designed to manage rather than eliminate the risks associated with the failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

### **The Group's Significant Risks**

- Although our knitwear products are capital intensive due to high degree of mechanisation and automation, we still rely heavily on skilled workers. Any shortage of manpower or increase in labor costs will affect our profitability.
- Changes in uncontrollable factors such as US-China trade policies, international political environment, market trade policies, import and export tariff policies and exchange rate fluctuations may affect our business operations.
- As a result of the outbreak of novel coronavirus disease, development of the global economy remains uncertain. We believe that the financial and sales performance of our customers has been greatly influenced and will affect our short to medium term business and financial condition.
- Global warming may reduce consumer demand for knitwear products, thereby affecting the development of our business.
- The increased frequency of cyberattacks may pose a risk to our operations.
- We have concentrated customer base as major sales orders are attributable to our five largest customers. Any changes in the five largest customers' decisions to purchase products from us may have an impact on our business and financial condition.
- Due to the outbreak of novel coronavirus disease and US-China trade friction, shortage of global shipping containers and reduction of flights led to soaring freight rates and delays. Besides, as customers may change shipping methods suddenly, we may not be able to make reservations for shipping spaces of cargo ships or aircrafts and handle shipment in a timely manner. Moreover, changeable weather and unexpected weather changes in recent years could affect our delivery schedules. Delays in delivery schedules may have an impact on our business, financial condition and reputation.
- Cashmere is one of the costly raw materials, and its price depends on market demand and supply , and the production cycle from purchasing cashmere to turning it into a finished product is relatively long. If the market price of cashmere falls after our purchase, the selling price and gross profit of the finished cashmere products will ultimately be affected.
- To align with the business development of the Group, we have been developing cashmere yarn production business in China, weaving and dyeing fabric production business in Vietnam, and a new knitwear production base in Myanmar. Moreover, the management continues to look for business diversification and related growth opportunities so as to broaden the revenue base and customer base. However, these projects involve capital allocation, financing, budgeting, schedule, partnership, resource competition, grant of approval, politic factors, exchange rate fluctuations and other aspects, which may not be in line with our expectations or budget. During the development and strengthening of diversified products, we may assess the market situation and development mistakenly and may not be able to establish a long-term partnership with customers. These risks may affect our business, prospects, financial condition and operating results.
- As a company listed on the Stock Exchange, we have to comply with the Securities and Futures Ordinance and the Listing Rules. Also, we are governed by the laws and regulations of the jurisdictions in which we operate. Failure to be informed of and comply in a timely manner with any additional or amended laws and regulations of the local and relevant authorities in relation to environmental, social, governance, taxation and foreign exchange control and other economic matters may have an adverse effect on our business.

## Measures to Enhance the Group's Internal Control System

On the other hand, we also have adopted the following corporate governance measures to enhance our internal control system and to be better positioned to comply with various applicable rules and regulations:

- (a) Reed Smith Richards Butler, our Hong Kong legal adviser, is appointed to advise us on Hong Kong laws and regulations and compliance matters in accordance with the Listing Rules;
- (b) Trainings are provided to our employees in relation to their obligations to contribute to their part of the social insurance and housing provident funds on a regular basis in order to comply with the applicable PRC laws and regulations;
- (c) training programs and/or updates regarding the relevant PRC, Vietnam and Hong Kong laws and regulations applicable to our business operations and directors' responsibilities respectively are provided to our Directors and senior management on a regular basis with a view to proactively identify any concerns and issues relating to potential non-compliance; and
- (d) an internal control manager and one internal auditor are appointed to oversee our internal controls in Hong Kong, PRC and Vietnam and to ensure our Group's ongoing compliance with the relevant legal and regulatory requirements.

The Company's audit committee is responsible for monitoring the effectiveness of the Group's risk management and internal control systems and their compliance with the Listing Rules.

The Company's Internal Audit Department performs internal audit function and the Board is responsible for overseeing and reviewing the effectiveness of the risk management and internal control systems of the Group on an ongoing basis. The Board confirms that it has reviewed the effectiveness of the risk management and internal control system for the year ended 31 March 2021 and the Board considers them to be effective and adequate.

## Corporate Governance Report (continued)

### **Measures to Safeguard the Interests of the Company and its Shareholders against Competition Issues**

Happy Family Assets Limited, Nameson Investments Limited, Mr. Wong Ting Chung, Mr. Wong Ting Kau and Mr. Wong Ting Chun (the "Covenantors") have entered into a deed of non-competition dated 24 March 2016 in favour of the Company and its subsidiaries, pursuant to which each of the Covenantors has undertaken that it/he and its/his respective close associates (other than any members of our Group) will not directly or indirectly engage, participate, compete, invest or otherwise be interested in or acquire or hold any restricted business unless such restricted business has first been offered or made available to the Group, and the Group, after review and approval by an independent board committee of the Company comprising only of independent non-executive Directors who do not have a material interest in such restricted business, has declined to pursue such opportunity.

For details of the above-mentioned non-competition undertaking, please refer to the Company's prospectus dated 30 March 2016.

The Covenantors have also given a non-competition undertaking in favour of the Company with respect to the Group's knitted footwear business and/or footwear business and other footwear ancillary businesses as disclosed in the Company's circular dated 24 November 2017.

The Directors are of the view that the measures in place are sufficient to safeguard the interests of the Company and its shareholders against any competition issues or potential competition issues.

### **PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION**

The Company has developed an inside information policy which provides a guidance to the Directors and the Company's senior management and relevant employees in handling inside information, monitoring information disclosure and responding to enquiries. The Company should take all reasonable measures to ensure the confidentiality of inside information until consistent and timely disclosure of such information is made.

### **DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING**

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 March 2021 and confirm that the financial statements contained herein give a true and fair view of the results and state of affairs of the Group for the year under review. The Directors consider that the financial statements have been prepared in conformity with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and reflect amounts which are based on best estimates and reasonable, informed and prudent judgment of the Board. Such acknowledgement should be read in conjunction with, but be distinguished from, the statement of the external auditor of the Company, PricewaterhouseCoopers, in relation to their reporting responsibilities as set out in their auditor's report on pages 105 to 109 of this annual report.

## GOING CONCERN

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's and the Group's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements on a going concern basis.

## SENIOR MANAGEMENT REMUNERATION BY BANDS

The remuneration of the Company's senior management, whose biographies are set out on page 26 of this annual report, for the year ended 31 March 2021 is set out below:

	<b>Number of Individuals</b>
Remuneration bands	
HK\$Nil–HK\$500,000	1
HK\$500,001–HK\$1,000,000	1
HK\$1,000,001–HK\$1,500,000	1
HK\$1,500,001–HK\$2,000,000	1

# Directors' Report

The board (the "Board") of directors (the "Directors") of Nameson Holdings Limited (the "Company") is pleased to present the annual report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2021.

## CORPORATE REORGANISATION AND INITIAL PUBLIC OFFERING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 August 2015 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Through a series of group reorganisation procedures, the Company became the holding company of the Group when the reorganisation was completed on 21 March 2016.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 April 2016 (the "Listing Date").

## PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of the Group are the manufacturing of knitwear products. Particulars of the principal activities of the Company's subsidiaries are set out in note 11 to the consolidated financial statements of the Group. There were no significant changes in the nature of the Group's principal activities during the year ended 31 March 2021.

## BUSINESS REVIEW

A business review of the Group for the year ended 31 March 2021 and its future development is set out in the chairman's statement from pages 4 to 7 and management discussion and analysis from pages 8 to 18 of this annual report.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2021 are set out in the consolidated income statement on page 110 of this annual report.

An interim dividend of 3.8 HK cents per share was paid on 22 December 2020 to the shareholders. The Board has resolved to declare a final dividend of 1.2 HK cents per share for the year ended 31 March 2021. Subject to the approval by the shareholders at the forthcoming annual general meeting of the Company, the final dividend of 1.2 HK cents is expected to be payable on or about Tuesday, 21 September 2021 to the shareholders whose names are recorded on the register of members of the Company at the close of business on Wednesday, 8 September 2021. The Company's register of members will be closed from Monday, 6 September 2021 to Wednesday, 8 September 2021 (both days inclusive), and during such period no transfer of the Company's shares will be registered. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Friday, 3 September 2021.

## DONATIONS

Charitable and other donations made by the Group for the year ended 31 March 2021 amounted to approximately HK\$3.1 million (2020: HK\$1.4 million).

## RESERVES AND DISTRIBUTABLE RESERVES OF THE COMPANY

Movements in the reserves of the Group and the Company during the year ended 31 March 2021 are set out in note 30 and note 36 to the consolidated financial statements respectively.

As at 31 March 2021, the Company's reserves available for distribution to equity shareholders in accordance with its articles of association and the laws of the Cayman Islands amounted to approximately HK\$1,865.5 million (2020: HK\$1,869.7 million).

## DIVIDEND POLICY

The Company considers stable and sustainable returns to the shareholders of the Company to be our goal. In deciding whether to propose a dividend and in determining the dividend amount, the Board takes into account the Group's earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant. The proposal and payment of dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands, any applicable laws, rules and regulations and the memorandum and articles of association of the Company.

Our Board currently intends, subject to the above limitations, and in the absence of any circumstances which might reduce the amount of available distributable reserves, whether by losses or otherwise, to distribute to our shareholders at least 35% of any distributable profit. However, there is no assurance that dividends will be paid in any particular amount for any given period.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

## BORROWINGS

Details of the bank borrowings and lease liabilities of the Group as at 31 March 2021 are set out in note 24 and note 25 to the consolidated financial statements.

## SHARE CAPITAL

Details of the movements in the issued share capital of the Company for the year ended 31 March 2021 are set out in note 29 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and there are no restrictions against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 March 2021 attributable to the Group's major customers and suppliers are as follows:

Revenue from sales of goods attributable to:

— the largest customer	52.6%
— five largest customers in aggregate	73.1%

Purchases attributable to:

— the largest supplier	26.5%
— five largest suppliers in aggregate	62.2%

None of the Directors, or any of their close associates (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")), or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital), had any interest in any of the five largest customers or suppliers of the Group during the year ended 31 March 2021.

## FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the five years ended 31 March 2021 are set out on page 184 of this annual report. This summary does not form part of the audited financial statements.

## Directors' Report (continued)

### DIRECTORS

The Directors during the year ended 31 March 2021 and up to the date of this annual report are as follows:

#### **Executive Directors**

Mr. Wong Ting Chung (*Chairman and Chief executive officer*) (*Resigned with effect from 1 April 2021*)

Mr. Wong Wai Yue (*Vice-Chairman*) (*Re-designated as the Chairman with effect from 1 April 2021*)

Mr. Man Yu Hin (*Appointed as an executive Director and the Chief executive officer with effect from 1 April 2021*)

Mr. Wong Ting Chun

Mr. Li Po Sing

#### **Non-executive Directors**

Mr. Tam Wai Hung, David

Mr. Wong Ting Kau (*Resigned with effect from 1 April 2021*)

#### **Independent non-executive Directors**

Ms. Fan Chiu Fun, Fanny

Mr. Kan Chung Nin, Tony

Mr. Ong Chor Wei

Mr. Fan Chun Wah, Andrew

Ms. Lee Bik Kee, Betty

Mr. Ip Shu Kwan, Stephen

In accordance with articles 83(3) and 84(1) of the Company's articles of association, Mr. Man Yu Hin, Mr. Ong Choi Wei, Mr. Fan Chun Wah, Andrew, and Ms. Ip Shu Kwan, Stephen will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

All Directors are subject to retirement by rotation at least once every three years but are eligible for re-election by shareholders at the annual general meeting of the Company pursuant to article 84 of the Company's articles of association.

### DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company for a fixed term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors was appointed by the Company for a fixed term of three years in accordance with their respective letters of appointment with the Company, which may be terminated by not less than three months' notice in writing served by either party on the other.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Board considers all the independent non-executive Directors to be independent in accordance with Rule 3.13 of the Listing Rules.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions" below and in note 34 to the consolidated financial statements, no transactions, arrangements or contracts of significance between the Company or any of its subsidiaries and the Company's controlling shareholder or any of its subsidiaries, or in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 March 2021.

## PERMITTED INDEMNITY PROVISION

A permitted indemnity provision contained in the Company's articles of association that is subject to the requirements specified in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) for the benefit of the Directors of the Company was in force during the year ended 31 March 2021 and up to the date of this annual report.

## CONTINUING CONNECTED TRANSACTIONS

The following transactions entered into between certain connected parties (as defined in the Listing Rules) and the Group constituted non-exempt continuing connected transactions under Chapter 14A of the Listing Rules.

- (1) On 31 August 2017, V. Success (HZ) Knitting Limited ("V. Success Huizhou") entered into the lease agreement (the "Lease Agreement") with Huizhou Lijia Clothing Company Limited ("Huizhou Lijia"), pursuant to which Huizhou Lijia agreed to lease to our Group a portion of the factory located in Licheng Industrial Zone, Shuikou Sub-district Office, Huicheng District, Huizhou City, Guangdong Province, the PRC. The premises are for factory and dormitory use. The term of the Lease Agreement is three years commencing from 1 September 2017. The monthly rental is RMB571,429, exclusive of tax, payable by V. Success Huizhou.

On 31 August 2018, V. Success Huizhou entered into the supplemental lease agreement (the "Supplemental Lease Agreement") with Huizhou Lijia, pursuant to which, the monthly rental is reduced to RMB400,000, exclusive of tax.

Huizhou Lijia is held by Mr. Wong Ting Chung (who has resigned with effect from 1 April 2021), Mr. Wong Ting Chun, Mr. Wong Wai Wing, Raymond (who has resigned with effect from 30 November 2019), each an executive Director, Mr. Wong Ting Kau (who has resigned with effect from 1 April 2021), a non-executive Director and Mr. Lau Ka Keung, the brother-in-law of Mr. Wong Ting Chung, Mr. Wong Ting Chun, Mr. Wong Wai Wing, Raymond and Mr. Wong Ting Kau. Therefore, Huizhou Lijia is a connected person of our Company for the purpose of the Listing Rules.

- (2) On the other hand, the Group entered into the following agreements with connected persons:
  - (i) On 22 March 2019, Hebei Yuteng Cashmere Products Co., Ltd. ("Hebei Yuteng") (as lessor) and Hebei Nanguan Technology Co., Ltd. ("Nanguan Tech") (as lessee) entered into the lease agreement (the "Hebei Lease Agreement") in respect of the lease of the factory plant by Nanguan Tech from Hebei Yuteng for the production of cashmere yarn for a term of three years from 1 April 2019 to 31 March 2022; and

## Directors' Report (continued)

- (ii) On 27 March 2020, Hebei Yuteng (as seller) and Nanguan Tech (a non-wholly owned subsidiary of the Company), Huizhou Nanxuan Knitting Factory Limited and Huizhou Nanguan Knitting Factory Limited (both being the Company's wholly owned subsidiaries) (as purchasers) entered into the new raw materials purchase agreement (the "New Raw Materials Purchase Agreement") in respect of the purchase of cashmere and other raw materials by the purchasers from Hebei Yuteng for a term of one year from 1 April 2020 to 31 March 2021.

Nanguan Tech is a non-wholly owned subsidiary of the Company. Two of Nanguan Tech's directors are also the controlling shareholders of Hebei Yuteng, which is an associate of such directors. In addition, Hebei Yuteng is a substantial shareholder of Nanguan Tech. Consequently, Hebei Yuteng, the associate of two of our directors of Nanguan Tech, is a connected person of the Company at the subsidiary level under the Listing Rules.

For details on the Lease Agreement, the Hebei Lease Agreement and the New Raw Materials Purchase Agreement, please refer to the Company's announcements dated 28 September 2017, 22 March 2019 and 27 March 2020, respectively.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed and confirmed that the aforementioned continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to review the continuing connected transactions contemplated under the Lease Agreement, the Supplemental Lease Agreement, the Hebei Lease Agreement and the New Raw Materials Purchase Agreement. The auditors have, based on the work performed, provided a letter to the Directors confirming that nothing has come to their attention that causes them to believe that such continuing connected transactions:

- (i) have not been approved by the Board;
- (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group;
- (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (iv) have exceeded the relevant annual caps.

The continuing connected transactions disclosed above also constitute related party transactions under the Hong Kong Financial Reporting Standards. A summary of the related party transactions entered into by the Group during the year ended 31 March 2021 is contained in note 34 to the consolidated financial statements.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

Save as disclosed below, as at 31 March 2021, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

### Long position in the Ordinary Shares of the Company

Name of Directors	Nature of interest	Number of ordinary shares held or interested in	Approximate percentage of issued share capital of the Company <sup>(9)</sup>
Mr. Wong Ting Chung <sup>(1)(2)*</sup>	Beneficiary of a trust Beneficial owner	1,500,000,000 201,500,000	65.8% 8.8%
Mr. Wong Ting Chun <sup>(3)(4)</sup>	Beneficiary of a trust Beneficial owner	1,500,000,000 1,500,000	65.8% 0.1%
Mr. Li Po Sing <sup>(5)</sup>	Beneficial owner	3,500,000	0.15%
Mr. Tam Wai Hung, David <sup>(6)</sup>	Beneficial owner	2,500,000	0.1%
Mr. Wong Ting Kau <sup>(3)*</sup>	Beneficiary of a trust	1,500,000,000	65.8%
Ms. Fan Chiu Fun, Fanny <sup>(7)</sup>	Beneficial owner	1,500,000	0.1%
Mr. Kan Chung Nin, Tony <sup>(7)</sup>	Beneficial owner	1,500,000	0.1%
Mr. Ong Chor Wei <sup>(7)</sup>	Beneficial owner	1,500,000	0.1%
Mr. Fan Chun Wah, Andrew <sup>(7)</sup>	Beneficial owner	1,500,000	0.1%
Ms. Lee Bik Kee, Betty <sup>(7)</sup>	Beneficial owner	1,500,000	0.1%
Mr. Ip Shu Kwan, Stephen <sup>(8)</sup>	Beneficial owner	1,500,000	0.1%

\* Resigned with effect from 1 April 2021

## Directors' Report (continued)

Note 1: Mr. Wong Ting Chung is the settlor, the protector and one of the beneficiaries of the Happy Family Trust and therefore he is deemed to be interested in the shares held by the Happy Family Trust under the SFO.

Note 2: Mr. Wong Ting Chung beneficially owned 200,000,000 shares which were issued by the Company on 15 December 2017 as consideration shares pursuant to the acquisition of V. Success Group and has a beneficial interest in the share options granted to him on 29 August 2016 under the Share Option Scheme (as defined below) and which, if exercised in full, would result in the issue of 1,500,000 shares to him.

Note 3: Mr. Wong Ting Chun and Mr. Wong Ting Kau are beneficiaries of the Happy Family Trust and therefore they are deemed to be interested in the shares held by the Happy Family Trust under the SFO.

Note 4: Mr. Wong Ting Chun has a beneficial interest in the share options granted to him on 29 August 2016 under the Share Option Scheme and which, if exercised in full, would result in the issue of 1,500,000 shares to him.

Note 5: Mr. Li Po Sing has a beneficial interest in the share options granted to him on 29 August 2016 and 28 August 2017 under the Share Option Scheme and which, if exercised in full, would result in the issue of 3,500,000 shares to him.

Note 6: Mr. Tam Wai Hung, David has a beneficial interest in options granted to him on 29 August 2016 and 28 August 2017 under the Share Option Scheme and which, if exercised in full, would result in the issue of 2,500,000 shares to him.

Note 7: Each of Ms. Fan Chiu Fun, Fanny, Mr. Kan Chung Nin, Tony, Mr. Ong Chor Wei, Mr. Fan Chun Wah, Andrew and Ms. Lee Bik Kee, Betty has a beneficial interest in options granted to him/her on 28 August 2017 under the Share Option Scheme and which, if exercised in full, would result in the issue of 1,500,000 shares to him/her.

Note 8: Mr. Ip Shu Kwan, Stephen has a beneficial interest in options granted to him on 20 April 2018 under the Share Option Scheme and which, if exercised in full, would result in the issue of 1,500,000 shares to him.

Note 9: The calculation is based on the total number of issued ordinary shares of 2,279,392,000 shares as at 31 March 2021.

Details of the interests of the Directors and chief executive in the options (being regarded as unlisted physically settled equity derivatives) granted to them under the Share Option Scheme (as defined below) are set out in the section headed "Share Option Scheme" in this annual report.

## DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Scheme (as defined below), at no time for the year ended 31 March 2021 was the Company or any of its subsidiaries, holding companies, or any of the subsidiary undertakings (within the meaning of the Companies (Directors' Report) Regulation) of such holding companies a party to any arrangements whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Save as disclosed above, none of the Directors and chief executive of the Company (including their spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2021, none of the Directors had any interest in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## DEED OF NON-COMPETITION

For the year ended 31 March 2021, each of the Company's controlling shareholders have confirmed to the Company of his/its compliance with (i) the non-competition undertakings given by him/it to the Company under the deed of non-competition, as defined in the Prospectus; and (ii) the non-competition undertakings given by him/it to the Company with respect to the Group's knitted footwear business and/or footwear business and other footwear ancillary businesses as disclosed in the Company's circular dated 24 November 2017.

The Directors are of the view that there are sufficient measures in place to safeguard the interests of the Company and its shareholders against any competition issues or potential competition issues.

## SHARE OPTION SCHEME

The Company has approved and adopted a share option scheme on 29 January 2016 (the "Share Option Scheme"). Under the Share Option Scheme, the eligible participants may be granted share options pursuant to the Share Option Scheme. The following is a summary of the principal terms of the Share Option Scheme.

### (a) Purpose

The purposes of the Share Option Scheme are to provide the eligible participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (i) motivate the eligible participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of our Group.

### (b) Eligible participants

The eligible Participants include (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries; (ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries; and (iii) any advisers, consultants, agents, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company and/or any of its subsidiaries.

### (c) Maximum number of shares

The maximum number of shares which may be issued upon exercise of all the share options to be granted under the Share Option Scheme and any other share option scheme of the Company (if any) shall not in aggregate exceed 10% of the shares in issue (i.e. a maximum of 200,000,000 shares) immediately after listing, provided that:

- (i) the maximum number of shares may be renewed, with the approval of the shareholders in a general meeting, up to a maximum of 10% of the issued share capital of the Company at the date of such shareholders' approval, inclusive of the maximum number of shares in respect of which share options may be granted under another scheme, if any;
- (ii) the Company may obtain a separate approval from the Company's shareholders in a general meeting to permit the granting of share options which will result in the number of shares in respect of all the share options granted exceeding the then maximum number of shares provided that such share options are granted only to eligible participants specifically identified by the Company before shareholders' approval is sought (in which case such share options granted shall not be counted towards the then applicable maximum number of shares); and
- (iii) the total maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share options granted and yet to be exercised under another scheme shall not exceed 30% of the issued share capital of the Company from time to time.

## Directors' Report (continued)

### (d) Maximum entitlement of each eligible participant

Unless approved by the shareholders in a general meeting (with the relevant eligible participant and his/her close associates abstaining from voting), no eligible participant shall be granted a share option if the total number of shares issued and to be issued upon exercise of the share options granted and to be granted to such eligible participant in any 12-month period up to the date of the latest grant would exceed 1% of the issued share capital of the Company from time to time.

An offer of the grant of an option to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

Where any grant of share options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the shares in issue; and
- (ii) having an aggregate value, based on the official closing price of the shares at the date of each grant, in excess of HK\$5.0 million,

such further grant of share options will be subject to the issue of a circular by the Company and must be approved by the shareholders in general meeting on a poll. The grantee, his/her associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

### (e) Acceptance of an offer of share options

A share option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the share options duly signed by the grantee, together with a remittance in favour of the Company of HK\$0.01 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date. To the extent that the offer to grant a share option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

### (f) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any share options granted under the Share Option Scheme can be exercised.

### (g) Subscription price

The subscription price in respect of any share option shall be a price determined by the Board and notified to an eligible participant (subject to any adjustments made pursuant to the terms and conditions of the Share Option Scheme) which must be at least the higher of:

- (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; or
- (iii) the nominal value of the shares.

### (h) Ranking of shares

The shares to be allotted upon the exercise of a share option will be subject to all the provisions of the articles of association for the time being in force and will rank pari passu in all respects with and shall have the same voting, dividend, transfer and other rights. Shares issued on the exercise of a share option shall not rank for any rights attaching to the shares by reference to a record date preceding the date of allotment.

The shares to be allotted upon the exercise of a share option will not carry voting rights until completion of the registration of the grantee (such other person nominated by the grantee) as the holder thereof.

### (i) Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years from 12 April 2016 (being the listing date), after which no further options shall be offered but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Share options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme.

For the year ended 31 March 2021, no share options was granted under the Share Option Scheme. As at the date of this annual report, the number of share options that could still be granted under the Share Option Scheme was 110,610,000 share options representing approximately 4.85% of the existing issued share capital of the Company.

Details of the movements of the share options under the Share Option Scheme during the year ended 31 March 2021 are as follows:

Grantee	Date of Grant (Note 1)	Exercise Price HK\$	Exercise Period (Note 2)	Number of Share Options					
				Balance as at 1 April 2020	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
Mr. Wong Ting Chung*	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,500,000	-	-	-	-	1,500,000
Mr. Wong Ting Chun	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,500,000	-	-	-	-	1,500,000
Mr. Li Po Sing	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,500,000	-	-	-	-	1,500,000
	28 August 2017	1.462	28 August 2018 to 27 August 2027	2,000,000	-	-	-	-	2,000,000
Mr. Tam Wai Hung, David	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,000,000	-	-	-	-	1,000,000
	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	-	-	-	-	1,500,000

## Directors' Report (continued)

Grantee	Date of Grant (Note 1)	Exercise Price HK\$	Exercise Period (Note 2)	Number of Share Options					Balance as at 31 March 2021
				Balance as at 1 April 2020	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
Ms. Fan Chiu Fun, Fanny	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	–	–	–	–	1,500,000
Mr. Kan Chung Nin, Tony	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	–	–	–	–	1,500,000
Mr. Ong Chor Wei	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	–	–	–	–	1,500,000
Mr. Fan Chun Wah, Andrew	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	–	–	–	–	1,500,000
Ms. Lee Bik Kee, Betty	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	–	–	–	–	1,500,000
Mr. Ip Shu Kwan, Stephen	20 April 2018	1.700	20 April 2019 to 19 April 2028	1,500,000	–	–	–	–	1,500,000
Other employees of the Group (Note 3)	29 August 2016	1.394	29 August 2017 to 28 August 2026	14,704,000	–	–	(200,000)	–	14,504,000
	28 August 2017	1.462	28 August 2018 to 27 August 2027	36,300,000	–	–	(1,000,000)	–	35,300,000
Total				69,004,000	–	–	(1,200,000)	–	67,804,000

# Resigned as an executive Director with effect from 1 April 2021.

## Notes:

- The closing price of the shares of the Company immediately before the date on which the share options were granted on (i) 29 August 2016, i.e. 26 August 2016, was HK\$1.40; (ii) 28 August 2017, i.e. 25 August 2017, was HK\$1.48; and (iii) 20 April 2018, i.e. 19 April 2018, was HK\$1.68.
- The share options granted to the above Directors and other employees of the Group shall be vested in three equal tranches. The vesting periods of the share options are between the date of grant and the dates of commencement of exercise periods. The vesting periods and exercise periods of the share options are as follows:

<b>Share options</b>	<b>Vesting period</b>	<b>Exercise period</b>
<b><i>Granted on 29 August 2016</i></b>		
One-third of the share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	29 August 2016 to 28 August 2017	29 August 2017 to 28 August 2026
One-third of the share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	29 August 2016 to 28 August 2018	29 August 2018 to 28 August 2026
The remaining share options	29 August 2016 to 28 August 2019	29 August 2019 to 28 August 2026
<b><i>Granted on 28 August 2017</i></b>		
One-third of the share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	28 August 2017 to 27 August 2018	28 August 2018 to 27 August 2027
One-third of the share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	28 August 2017 to 27 August 2019	28 August 2019 to 27 August 2027
The remaining share options	28 August 2017 to 27 August 2020	28 August 2020 to 27 August 2027
<b><i>Granted on 20 April 2018</i></b>		
One-third of the share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	20 April 2018 to 19 April 2019	20 April 2019 to 19 April 2028
One-third of the share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	20 April 2018 to 19 April 2020	20 April 2020 to 19 April 2028
The remaining share options	20 April 2018 to 19 April 2021	20 April 2021 to 19 April 2028
3. Employees working under employment contracts that were regarded as "continuous contracts" for the purpose of the Hong Kong Employment Ordinance.		
4. The fair value of the share options as at the date of grant, its calculation and the model and assumptions used to estimate the fair value of the share options are set out in note 31 to the consolidated financial statements.		

## Directors' Report (continued)

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

Save as disclosed below, so far as known to the Directors and chief executive of the Company, as at 31 March 2021, the following persons or corporations (other than our Directors and chief executive of our Company) who had interest and/or short positions in the shares or underlying shares of the Company which would be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

### Long position in the ordinary shares of the Company

Name of substantial shareholders	Nature of interest	Number of ordinary shares held or interested in	Approximate percentage of issued share capital of the Company <sup>(5)</sup>
Nameson Investments Limited <sup>(1)</sup>	Beneficial owner	1,500,000,000	65.8%
Happy Family Assets Limited <sup>(1)</sup>	Interest in a controlled corporation	1,500,000,000	65.8%
East Asia International Trustees Limited <sup>(1)</sup>	Trustee of a trust	1,500,000,000	65.8%
Ms. Wang Kam Chu <sup>(2)</sup>	Interest of spouse	1,701,500,000	74.6%
Ms. Tsoi Suet Ngai <sup>(3)</sup>	Interest of spouse	1,501,500,000	65.9%
Ms. Chan Ka Wai <sup>(4)</sup>	Interest of spouse	1,500,000,000	65.8%

Notes:

- (1) Nameson Investments Limited is wholly owned by Happy Family Assets Limited, the holding vehicle incorporated in the British Virgin Islands used by East Asia International Trustees Limited, the trustee of the Happy Family Assets Limited which is a trust established by Mr. Wong Ting Chung as the settlor and the protector. Accordingly, each of Happy Family Assets Limited and Mr. Wong Ting Chung is deemed to be interested in the 1,500,000,000 shares held by Nameson Investments Limited under the SFO.
- (2) Ms. Wang Kam Chu is the spouse of Mr. Wong Ting Chung and is therefore deemed to be interested in the shares held, directly or indirectly, by Mr. Wong Ting Chung under the SFO.
- (3) Ms. Tsoi Suet Ngai is the spouse of Mr. Wong Ting Chun and is therefore deemed to be interested in the shares held, directly or indirectly, by Mr. Wong Ting Chun under the SFO.
- (4) Ms. Chan Ka Wai is the spouse of Mr. Wong Ting Kau and is therefore deemed to be interested in the shares held, directly or indirectly, by Mr. Wong Ting Kau under the SFO.
- (5) The calculation is based on the total number of issued ordinary shares of 2,279,392,000 shares as at 31 March 2021.

## EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 March 2021 or subsisted as at 31 March 2021.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or substantial part of the business of the Group were entered into or existed during the year ended 31 March 2021.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 March 2021, neither the Company nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities.

## USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the listing of the Company amounted to approximately HK\$635.4 million. Such proceeds have been used according to the allocation set out in the prospectus. Use of net proceeds from the Listing Date to 31 March 2021 is set out as follows:

Items	Approximate utilised amount up to <b>31 March 2021</b> HK\$(million)
Construction of factory buildings and purchase of machinery for the second phase of our factory in Vietnam	378.1
Repayment of part of our bank loans	93.2
Enhancing design and product development capabilities	19.1
Enhancing existing enterprise resource planning system	16.7
General corporate purposes	54.7
 Total	 561.8

The unused balance of HK\$73.6 million was placed in the bank accounts of several reputable commercial banks in Hong Kong as the Group's bank deposits.

## Directors' Report (continued)

**DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES**

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the following disclosure is included in respect of the Company's existing loan agreements, which contain covenants requiring performance obligations of the controlling shareholder(s) of the Company, as follows:

<b>Date of the agreement</b>	<b>Banking facilities</b>	<b>Specific performance obligations</b>
23 September 2019	Three-year term loan facility of up to HK\$100,000,000	Mr. Wong Ting Chung and his family members will provide prior one month notice to the bank if they consider to reduce their shareholdings to less than 50% beneficial interest in the Company.
28 June 2019	Five-year term loan facility of up to HK\$200,000,000	Mr. Wong Ting Chung or his family members maintains management control over the Company and its subsidiaries.
22 March 2019	Three-year term loan facility of up to HK\$150,000,000	Mr. Wong Ting Chung or his family members are and will remain as the majority ultimate beneficial owner holding not less than 50% of all issued share capital of the Company with management control in the Company.
22 March 2019	Three-year term loan facility of up to HK\$250,000,000	Mr. Wong Ting Chung and his family shall own more than 60% share interests in the Company, or Mr. Wong Ting Chung shall remain as the Chairman and maintain management control of the Company.
16 November 2018	Three-year term loan facility of up to HK\$100,000,000	Any one or all of Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau shall at all times collectively maintain, directly or indirectly, at least 51% of the beneficial shareholding in the Company and collectively retain management control over the Company.
16 March 2018	(i) Term loan facility of up to an aggregate principal amount of HK\$195,000,000, with final maturity date falling on 8 August 2022  (ii) Term loan facility of up to USD30,000,000 or HK\$234,000,000, with final maturity date falling on the day which is five years from the date of drawdown	Management control over the Group by Mr. Wong Ting Chung or his family members.

## RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes participated by the Group are set out in note 9 to the consolidated financial statements.

## DIRECTORS AND SENIOR MANAGEMENT

Particulars of the directors and senior management of the Company are set out on pages 20 to 26 of this annual report.

## CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules. The Board is of the view that the Company is in compliance with the mandatory code provisions of the CG Code for the year ended 31 March 2021.

For details of the Corporate Governance Report, please refer to pages 28 to 45 of this annual report.

## TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption to which the shareholders of the Company are entitled by reason of their holding of the shares of the Company.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of the Company's issued shares for the year ended 31 March 2021.

## ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") for the year ended 31 March 2021 is scheduled to be held on Friday, 27 August 2021. A notice convening the AGM will be issued and disseminated to the Company's shareholders in due course.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

### Environmental Policies

We are committed to implement policies in relation to environmental protection in order to conserve natural resources. We strive to minimise our environmental impact through reducing electricity and water consumption and encouraging recycle of office supplies and other materials. We are also committed to ensure that the Group is in strict compliance with the applicable environmental laws and regulations of the jurisdictions where our factories are located.

### Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong, China and Vietnam and are therefore subject to relevant local laws and regulations in Hong Kong, China and Vietnam. Given that the operations of the Group's factories involve consumption of resources and discharges of pollutants which may affect the environment, certain environmental laws in Vietnam and China will have impact on the Group's operations.

The Group's manufacturing process produces pollutants such as waste water, noise, smoke and dust. The discharge of waste water and other pollutants from the manufacturing operations into the environment may give rise to liabilities that may require the Group to incur costs to remedy such discharge. There may be additional production costs resulting from the implementation of additional environmental protection measures and/or failure to comply with new environmental laws or regulations, which may have a material adverse effect on the Group's business and results of operations.

During the year ended 31 March 2021, the Board is not aware of any material breach or non-compliance with relevant local laws and regulations which have a significant impact on the Group's business.

Directors' Report (continued)

### **Workplace Quality**

We believe that employees constitute one of the valuable assets of the Group and regard human resources as the Group's corporate wealth. The Group offers employees with competitive remuneration packages and provides additional bonus in accordance with their performance and contributions to the growth and development of the Group. The Group provides on-the-job training and development opportunities to enhance employees' career progression, these training programs cover different areas such as management skills, sales and production, and other courses relating to the Group and the industry.

We are dedicated to promoting equal opportunities for all of our employees and do not discriminate on the basis of personal characteristics. All employees are assessed based on their ability, performance and contribution, irrespectively of their nationality, race, religion, gender, age or family status. The Group has employee handbooks outlining terms and conditions of employment, employees' rights and benefits, duties and responsibilities, conducts and behavior.

### **Health and Safety**

The Group is committed to the health and safety of our employees and provides a safe and effective working environment. We pledge full compliance with all occupational health and safety legislation, and our factories in China and Vietnam are in full compliance with ISO 9001 requirements. The Group values the health and well-being of our employees. We supply free first-aid kits and medicine to our employees and they are entitled to medical insurance benefits.

### **Development and Training**

The Group is committed to the professional and personal development and growth of employees and considers development and training as a continual process. We offer and encourage employees at all levels to participate in various internal and external courses in order to promote the advancement of their job-related skills. Our employees are provided with fair opportunities for adequate learning, trainings and promotions.

### **RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS**

The Group maintains solid and steady relationship with its customers and provides products which satisfy their needs and requirements. The Group enhances the relationship by continuous interaction with customers to gain insights on market demand and customers' needs so that the Group could respond proactively. The Group also maintains close relationship with its suppliers. This leads to a high degree of cooperative development and enables the Group to deliver high-quality solutions as required and expected by our customers.

### **AUDITOR**

The financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for reappointment. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditor will be proposed for shareholders' approval at the AGM.

On behalf of the Board

**Wong Wai Yue**

*Chairman and Executive Director*

25 June 2021

# Love for the Planet



Target to Reduce Carbon Emission by **10.5%** and reduce energy consumption by **4.3%** before 2031

## Ongoing initiatives include:



Coal consumption **✓ 10%**  
with installation of natural gas boiler



Water recycling: **~60%** reuse of water resources



**Ethical procurement standards:  
9 memberships or  
certificates attained**  
for responsible and ethical sourcing

**Attained 6 ISO certification at four production facilities**



### Greenery at Factory:

**40%<sup>1</sup>** of the factories' area is planted with trees



### Higg Index Assessment:

score of **91%** in Facility Social & Labor Module  
score of **64%** in Facility Environmental Module

<sup>1</sup> Applicable to Huizhou Factories

# Environmental, Social and Governance Report

## ABOUT THE REPORT

### Scope of the Report

Nameson Holdings Limited (the "Company") is pleased to present the 2021 Environmental, Social and Governance Report (the "Report"). The purpose of the Report is to introduce to our stakeholders the performance, strategies and policies of the Company and its subsidiaries (collectively, the "Group" or "we" or "Nameson") in terms of sustainable development in the environmental and social aspects.

Unless otherwise stated, the Report covers the overall performance in two main aspects, namely environment and society, of our 8 subsidiaries engaged in the production of knitwear products located in the People's Republic of China (the "PRC"), the Hong Kong Special Administrative Region ("Hong Kong") and the Socialist Republic of Vietnam ("Vietnam") from 1 April 2020 to 31 March 2021 (the "Reporting Period" or the "Year"). Those subsidiaries include: Huizhou Nanxuan Knitting Factory Limited and Huizhou Nanguan Knitting Factory Limited (collectively the "Huizhou Factories"), as well as Hebei Nanguan Technology Co., Ltd. (the "Hebei Factory") (collectively, the "PRC Factories"), and Nameson Industrial Limited, Kingmax Industrial Limited, Winner Way Industrial Limited, First Team (HK) Limited (collectively, the "Hong Kong Offices"), as well as First Team (Vietnam) Garment Limited (the "Vietnam Factory"). As compared to the report last year, due to the cessation of operations of certain subsidiaries under the business restructuring, the data and performances of Huizhou Liyun Knitting Factory Limited, Huizhou Jiaming Knitting Factory Limited, V. Success (HZ) Knitting Limited and V. Success (Vietnam) Knitting Company Limited are not included this Year.

### Basis of the Report

The content of the Report is prepared according to standards in "Environmental, Social and Governance Reporting Guide" (the "ESG Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and through collecting stakeholders' areas of concern of the Group. We confirm that the Report is in compliance with the provisions of "comply or explain" and "recommended disclosures" in the ESG Guide.

### Principles of the Report

The content of the Report is prepared based on the following four principles:

#### Materiality

We involve the management and stakeholders in materiality assessment to identify environmental, social and governance issues that are material to us and make relevant disclosures in the "Stakeholders' Engagement" section in the Report.



#### Balance

We are committed to present to our stakeholders our performance in our sustainable development during the Reporting Period in an unbiased way, to provide readers with true and objective information.



#### Quantitative

The KPIs in the Report adopts quantitative data as far as possible to facilitate evaluation and validation. The calculation adopted should be disclosed and indicated where appropriate.



#### Consistency

We use consistent statistical methodology for disclosures. In case of any change in the statistical methodology, we would clarify the reasons in the Report for the change and difference between the methodologies as well as explain the effects on the Report.



## Availability of and Feedback on the Report

Stakeholders may obtain the Report from the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.namesonholdings.com>. We value every stakeholder's feedback on the Report, you can contact us by email at [enquiry@namesonholdings.com](mailto:enquiry@namesonholdings.com).

## GROUP PROFILE

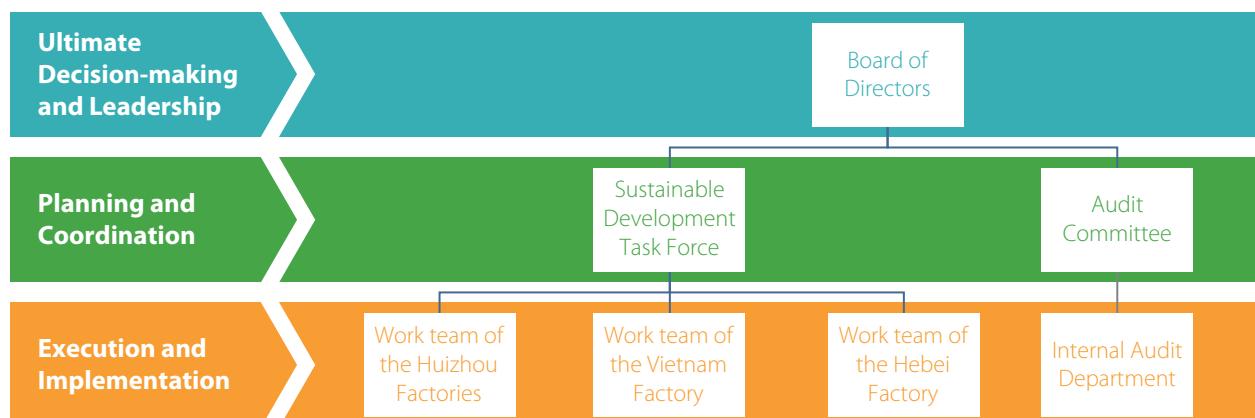
The Group was established in 1990. Throughout the years, by providing customers with one-stop services ranging from raw material development and procurement, product design, sample development to production and delivery, the Group has become one of the top-notch domestic knitwear manufacturers in the PRC in recent years, and is able to build up partnership with internationally renowned clothing brands and retailers. The Group's operations and headquarters are located in Hong Kong and Huizhou, Guangdong Province, the PRC, while our production bases are located in Huizhou, Guangdong Province, the PRC; Ho Chi Minh City, Vietnam; as well as Xingtai City, Hebei Province, the PRC, where we have introduced advanced and highly-automated production equipment to provide customers with holistic services and quality products. In order to achieve sustainable development, we are committed to expand our business, research and develop new products and explore new markets, while maintaining the competitive advantages of our business in the industry.

## Vision and Mission

As one of the leading knitwear manufacturers in the PRC, we always commit to our responsibilities of "maximising value for our employees, customers and shareholders, while contributing to and serving the society in good faith". We always adhere to the "people-oriented" management model, and constantly care about the needs of our employees, foster talents and help employees build up their self-worth. In regard to our corporate development, we strive to achieve sustainable development and maintain the core advantages of our business even amidst the challenging environment. We fulfill our corporate responsibilities and regard "learning, innovation, green, low-carbon, warmth, fraternity, harmony" as our operating philosophy.

## Sustainable Development Governance Framework

With the communities around the globe and its stakeholders placing increasing emphasis on corporate sustainability performance, the Group has established the following internal governance structure for sustainable development in order to effectively formulate and manage the Group's sustainability strategies:



## Environmental, Social and Governance Report (continued)

The Board (the "Board") of directors (the "Directors") of the Company, as the ultimate decision-making unit leading the enterprise, is responsible for setting the sustainability management strategies and direction and assumes the ultimate governance responsibility for sustainability matters. While the Board has delegated the formulation of the implementation plans and the supervision of the environmental, social and governance ("ESG") risk assessment mechanism to the Sustainable Development Task Force (the "Task Force") and the Audit Committee respectively, the Board continues to oversee and guide the responsible management teams, as well as identify and review the ESG and corporate governance issues relevant to the Group. The Board will also receive training on ESG and corporate governance in a timely manner, so as to keep abreast of the latest regulatory and disclosure requirements.

The Task Force is responsible for assisting the Board in identifying, evaluating and managing ESG-related issues, and works with the respective work team at each factory to determine the practical implementation plans and measures in accordance with the sustainability strategies and guidelines set by the Board, as well as to propose such business improvement proposals incorporating the sustainable development concepts to the work teams in course of their day-to-day operation. The work teams at each factory will implement such proposals and report the progress and results to the Task Force on a regular basis. The Task Force also acts as the bridge between the work teams and the Board, actively communicating the Board's guideline on a top-down basis, monitoring the implementation of the sustainable development, and reporting the progress of the plans and ESG goals on a bottom-up basis.

The Audit Committee is primarily responsible for assisting the Board in developing and evaluating risk management mechanisms, to ensure that the Company's risk management and internal control systems for ESG risks are effective and meet the needs of the Group's current operation. The Internal Audit Department, which reports directly to the Audit Committee, is responsible for collecting the information and data required for the preparation of the Report to ensure its accuracy and completeness, and reports regularly to the Audit Committee on the effectiveness of the ESG risk management and the internal control system.

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE RELATED RISK MANAGEMENT**

The Group has established a comprehensive risk management system and internal control framework, and has been promoting a risk-awareness culture and implemented a risk-prevention accountability system across the Group. The risk management team, which consists of executive Directors, the Internal Audit Department and various department heads, conducts risk-identification, analysis and prioritisation of ESG-related risks (including climate change) and formulates the response strategies on a half-yearly basis. In response to changes in markets, strategies, environments and regulations, the team also monitors, reviews and communicates risk management results on an ongoing basis. For more details, please refer to the section on internal control and risk management in the Corporate Governance Report of the Group's 2021 Annual Report.

### **Sustainable Development Strategies**

The core principles of the Group's sustainable development strategies are making products that are "safe, quality, and environmentally sustainable". The Board is responsible for formulating strategies and developing a series of appropriate risk management and internal control measures (including operation management, internal control and whistle-blowing mechanisms) in response to the ESG risks we have identified (such as emissions requirements, labour demand in places where our business operates, climate change and public health crisis and beyond), so as to avoid and mitigate the negative impact of such potential risks. We also engage professional legal advisers as needed to provide us with professional advice on the ESG-related laws and regulations in places where the Group operates, so as to ensure that the Group continues to comply with relevant laws and requirements.

In addition to driving our business capacity, we will closely monitor the potential environmental and social impacts of our production processes, and strive to produce higher quality knitwear products in an environmentally and socially responsible manner through proactive and innovative designs, market-oriented business strategies, and state-of-the-art production technologies and equipment. Furthermore, we will continue to devote more resources to charity activities in order to pay back to society. In response to our corporate mission of constructing a conservation-oriented society, we have developed a series of strategies in relation to energy saving, waste separation and recycling, as well as environmental protection in order to create long-term values with the community and build a sustainable future together.

## Environmental, Social and Governance Report (continued)

In the coming year, we are actively planning to communicate closely with our major customers or government authorities to fully understand their ESG requirements and national carbon reduction policies, so as to enhance the feasibility and accuracy of ESG target setting. We will continue to review our targets in the future with reference to international best practices and standards, and update such preset plans to reflect the latest plans of the Group.

**Higg Index Self-Assessment Tool**

During the Reporting Period, our Huizhou Factories used the Higg Facility Tools — the Industrial Sector, a standardised sustainability self-assessment tool published by the Sustainable Apparel Coalition (the "SAC"), to review and rate the 7 and 9 different environmental and social responsibility factors respectively, so as to assess our sustainability performance and impact at each of our production processes, thereby identifying room for sustainable improvement in the relevant areas.

Upon completion of the self-assessment, we have engaged an independent third party validator accredited by SAC to validate the information we submitted to enhance the credibility of the ratings. This rating tool is widely used internationally, and we are happy to share this information with our partners and customers to enhance their understanding of and confidence in our system. In addition, we compare our performance with the benchmark ratings of our peers, to ensure that our performance is on par with or above the peer standards, thus demonstrating our focus on environmental management and social responsibility and to maintain our competitiveness within the industry.

The following are the validated Higg Index scores obtained by Huizhou Factories during the Reporting Period:



## Environmental, Social and Governance Report (continued)

## AWARDS AND RECOGNITIONS IN THE YEAR



Accredited the "InnoESG Prize 2020" by Society Next Foundation



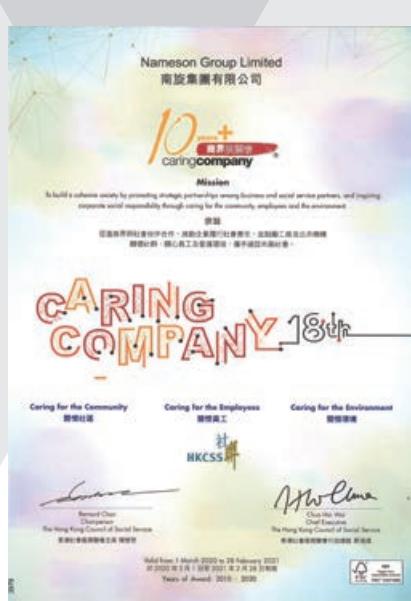
Accredited the "Award of Excellence" by the Community Chest



Accredited the "Caring Certificate 2020" in the CSR Recognition Scheme hosted by the Federation of Hong Kong Industries



Accredited the "Caring Company" logo by The Hong Kong Council of Social Service for 5 consecutive years in recognition of the Company's contribution to the community, employees and the environment.



Accredited the "Caring Company" logo by The Hong Kong Council of Social Service for more than 10 consecutive years since 2010, the Group will continue to build an inclusive society with various sectors.

## STAKEHOLDERS' ENGAGEMENT

For the purpose of better understanding and identifying the existing and potential risks and opportunities in the market, as well as formulating clear and precise strategies and decisions, we have been maintaining regular and effective communication with the stakeholders of the Group which mainly include shareholders and investors, customers, employees, suppliers, other business partners and the community.

Undoubtedly, stakeholders have different expectations for the sustainable development of the Group. Therefore, we maintain close communication with our stakeholders through the following channels to ensure that the Group's business activities live up to stakeholders' expectations, thereby fostering a good relationship between the Group and the stakeholders to build mutual trust while earnestly fulfilling our social responsibilities.

Shareholders and Investors	<ul style="list-style-type: none"><li>• Annual general meeting</li><li>• Annual reports, interim reports and the Group's announcements</li><li>• "Investor Relations" in the Group's website</li></ul>
Customers	<ul style="list-style-type: none"><li>• Enquiries on customers' satisfaction</li><li>• The Group's website and social media</li><li>• Business communication</li></ul>
Employees	<ul style="list-style-type: none"><li>• Labour unions</li><li>• Staff representative meetings</li><li>• Chairman's mailbox</li><li>• Continuous direct communication</li></ul>
Suppliers	<ul style="list-style-type: none"><li>• On-site inspection</li><li>• Audit and assessment</li><li>• Continuous direct communication</li></ul>
Other business partners and the community	<ul style="list-style-type: none"><li>• The Group's website</li><li>• The Group's announcements</li></ul>

## Environmental, Social and Governance Report (continued)

As the stakeholders' concerns and expectations may vary as the ever-changing business environment evolves, we regularly update the relevant materiality matrix by collecting quantitative data as the basis for materiality analysis. We also identify the issues that are stakeholders' primary concern and most likely to impact our business operation, so as to enhance the Group's sustainable development strategies. Major steps of materiality analysis for the Reporting Period are summarised as follows:

Step 1: The Group concluded that there are 27 issues applicable to the Group with reference to the analysis of materiality and results of communication with existing and previous stakeholders, industry trend and Stock Exchange's ESG Guide.



Step 2: We invited stakeholders to respond anonymously to online questionnaires and collected their comments and expectations about the Group's achievement in environment, social and governance in order to initially identify the materiality of the issues.



Step 3: Management of the Group conducted internal evaluation on the materiality of the issues to the Group.



Step 4: Materiality matrix was formed based on the opinions of both stakeholders and management. ESG issues were prioritised according to their impact on and materiality to both the stakeholders and the business of the Group.



Step 5: The materiality matrix was used by the management of the Group as a reference in conducting risk management assessment and strategic planning, and also as the basis on which the Report was prepared. We will respond to and elaborate on the issues that stakeholders show concern in different sections of the Report.

## Environmental, Social and Governance Report (continued)



Product and Service Liabilities	Operational Practices	Practices in Working Environment
1. Product and service quality 2. Product safety 3. Customers' level of satisfaction 4. Complaint handling 5. Safeguarding customers' privacy 6. Intellectual property rights 7. Research and development 8. Content of labels	9. Supplier management 10. Emergency response under disasters 11. Anti-fraud and anti-corruption	12. Diversity and anti-discrimination 13. Occupational safety and health 14. Training and development 15. Child labour and forced labour 16. Employment relations and communication 17. Staff turnover rate 18. Employees' benefit and recreational activities
Environmental Protection and Green Operation	Contribution to the Community	
19. Exhaust air emissions 20. Greenhouse gas emissions 21. Sewage discharge 22. Waste disposal 23. Energy and water conservation 24. Other resources (such as use of paper and packaging) 25. Green procurement	26. Participating in charitable events 27. Charitable donations	

The matrix shows the materiality of the 27 issues. The top right corner of the chart shows the issues considered by stakeholders and the Group to be of utmost importance, while the bottom left corner shows the issues of less importance. The top three material issues for the Year are occupational safety and health, intellectual property rights, and product and service quality. Same as last year, occupational safety and health as well as product and service quality remain as the key concerns for stakeholders, while the intellectual property rights has gained materiality this year, reflecting the growing concern of intellectual property rights, data protection and privacy issues among stakeholders. We will strengthen our measures in this regard in the future.

## Environmental, Social and Governance Report (continued)

## THE PEOPLE, OUR WEALTH

Our employees are valuable for our business and are regarded as the Group's most cherished asset, they shape our corporate competitiveness and form the cornerstone of our corporate development. Therefore, the Group is committed to providing a superior working environment for our employees, growing with them wholeheartedly, and striving for excellence together. We formulate management policies and operating principles that incorporate people-oriented philosophy, which guide employees' ethics while taking into account their personal needs. As a responsible employer, we strictly comply with the employment regulations in each respective place of operation, such as the Labour Law of the PRC, Labour Contract Law of the PRC, Regulations on Work-Related Injury Insurance of the PRC, Employment Ordinance (Cap. 57, Laws of Hong Kong) of Hong Kong and 2012 Labour Code of Vietnam. The Group was not subject to any material administrative penalties or fines for any breach of employment laws or regulations during the Reporting Period.

### Recruiting High Caliber Talents

The Group adheres to the principles of "open recruitment, holistic assessment, and merit-based admission" in recruitment. We recruit through advertisements posted in newspapers, websites and factory bulletin boards, referrals from employment agencies and on-campus recruitment days. We have also set up an internal referral program to encourage employees to recommend all kinds of high-quality talents. We follow the principle of diversity and equal opportunities. Therefore, factors that are not related to job applicants' working ability will not affect the outcome of the selection and recruitment process.

In order to attract and retain talents, we provide competitive salaries that are no less than the local statutory requirement, benefits and comfortable working environment, to ensure that the Group has sufficient human resources to maintain its competitive advantages. In addition, we have set up an established promotion mechanism and regularly evaluate the employees' performance to examine different objective factors such as employees' competence, teamwork, attendance records and personal skills. Employees who perform well and meet the criteria for promotion under fair and just condition will be offered promotion opportunities and/or salary adjustments to reflect the Company's recognition of employees' contribution to the Group. We have also formulated a reward and punishment system for our employees to enhance their motivation. For example, special contribution awards, outstanding employee awards and innovation awards were set up in our PRC Factories to recognise employees who have contributed to the Group during the Year.

### Employee Distribution (As at 31 March 2021)

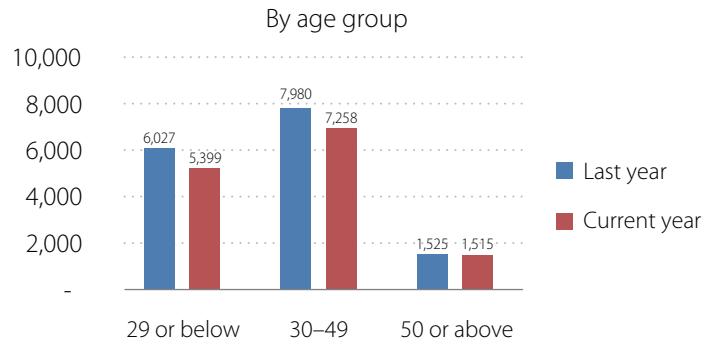
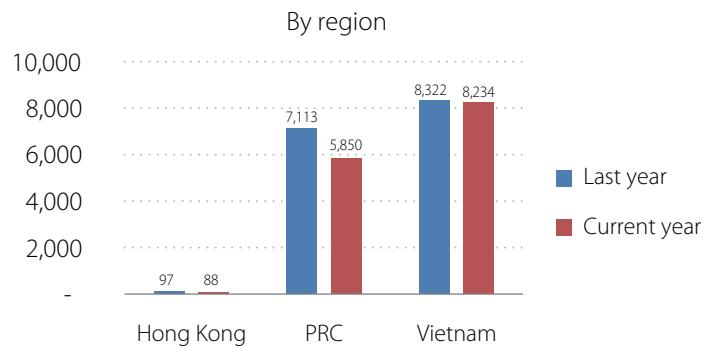
#### Total number of employees:

**14,172 full-time employees**



9,095      5,077

By gender



## Environmental, Social and Governance Report (continued)

The Human Resources Department will conduct interviews with outgoing employees to understand their specific reasons for leaving their jobs, and obtain relevant suggestions from them for the Group, through which we can continue to optimise our talent management strategy so as to maintain the employee turnover rate at an acceptable level and help the Group's staffers to accumulate professional expertise and experience in a more effective manner. During the Reporting Period, the Group's employee turnover rate<sup>1</sup> was 16%, which is categorised by gender, age group and region as follows:

By gender (%)		By age group (%)			By region (%)		
Male	Female	29 or below	30–49	50 or above	Hong Kong	PRC	Vietnam
20	14	22	14	9	10	24	11

### Safeguarding the Rights and Interests of Employees

We have established policies for human resources management and strictly complied with laws and regulations in places where our business operates, including the Employment Ordinance (Cap. 57, Laws of Hong Kong) and the Labour Law of the PRC. For the purpose of protecting our employees, our policies set out relevant regulations on aspects like employment management, right of termination of labour relationship, social insurance fund, remuneration and benefits as well as leave days. As an equal opportunity employer, we believe that diversity can bring vitality and creativity to our operation, and respect such internationally recognised human rights and uphold the principle of equal opportunity. Our employees are not subject to discrimination, disturbance or deprivation of relevant opportunities in any human resources processes due to their gender, nationality, race, age, religion, marital status, family status, sexual orientation, disability, pregnancy, political stance, social status or other discrimination factors prohibited by relevant laws and regulations.

We adhere to the principle of "effort-based remuneration" and never deduct wages unlawfully or coerce our employees into working overtime, so as to ensure fair remuneration and adequate rest time for our employees. We arrange reasonable work schedule for employees based on the applicable laws and regulations in the jurisdiction where we operate. The employees of the PRC Factories and the Vietnam Factory generally work 8 hours a day, and have at least one day-off per week. Apart from providing employees with basic employee benefits such as social insurance, compassionate leave, work-related injury leave, sick leave and other statutory holidays, we also offer various additional benefits for our employees such as staff quarters or accommodation allowance, meals and company coaches for transportation to and from work.

<sup>1</sup> The employee turnover rate is calculated by the number of employees at the end of year.

## Environmental, Social and Governance Report (continued)

**Concern for Women's Rights**

Female employees account for approximately 60% of our total workforce. Considering the dual roles of female employees in both work place and family, we provide more special assistance to female employees, especially during special periods such as pregnancy, childbirth and lactation.

We set up "nursing-friendly space" with the aim to provide a private, comfortable and hygienic breastfeeding space for working mothers during the lactation period. The facility is also a rest space open to pregnant employees if necessary.

In addition to statutory maternity leave, lactation leave and paternity leave, we also invite qualified medical professionals to provide regular free gynecological, premarital or prenatal check-ups for our female employees aged between 18 and 55 to safeguard their health in the long term, and occasionally offer women's healthcare classes to introduce common knowledge on women's health and raise their awareness towards healthcare knowledge.



The mothers' relaxation hut

## Facilitating work-life balance

We believe that a harmonious, warm and friendly working environment will effectively enhance sense of belonging of our employees and further reinforce cohesion within the Group. We hope to create a platform for employees to strive for growth and enjoy life at the same time. We are committed to creating a healthier and happier working environment for our employees to relax themselves at the right time and achieve work-life balance. Relevant measures include:

- The PRC Factories set up a “Nameson Radio Station” on online social media to provide news, weather reports, life hacks and review of the Group’s events.
- The PRC Factories regularly organise various types of interest classes, such as dancing and yoga classes, to provide our employees with diversified learning opportunities which are beneficial to body and mind.
- The PRC Factories also arrange employees to participate in external activities to facilitate communication and reinforce cohesion among the employees.
- Members of the labour union and the human resources and administration departments will team up to visit the employees residing at the staff quarters after work, taking the initiative to care for their colleagues.
- Various amenities and recreational facilities are set up in the factory sites, including: fitness equipment, cinema and library for our employees to relax and train for fitness after work.
- The PRC Factories and Vietnam Factory organise various types of recreational activities or meal gatherings regularly, for example: annual conference, festive celebrations or banquet, sports day, skill contests and birthday celebrations.



Sports day



Tug-of-war

## Environmental, Social and Governance Report (continued)



The PRC Factories' workers union also organises field trips to express appreciation to the staff representatives and volunteers.

**Supporting workers from different provinces in the PRC**

It is common that our employees of the PRC Factories come from provinces and regions all over the country. In order to help them adapt to the working environment away from home more easily, we especially provide them with extensive support and care:

- **Staff quarters:** As we recognise that it is very important for employees to have a comfortable residence when working away from home, we give priority to providing accommodation for employees from other provinces.
- **“Couple house”:** We provide married employees from other provinces and their spouses with family quarters to relieve their difficulties in finding accommodation away from home, so that they can devote themselves to their work and spend more time with their spouses. It is hoped that the number of couples living apart due to work could be reduced accordingly.
- **Pick-up service in Lunar New Year:** During Lunar New Year, we work together with the labour union to set up specialised drop-off points at Huizhou station to facilitate our employees' journey back to their home in other provinces. Before Lunar New Year holiday, we send the employees who want to go back to their hometowns to our drop-off points. When employees return to work after Lunar New Year holiday, we also arrange coaches to pick them up at these drop-off points 24-hours a day.
- **Mental Care:** We also set up “Psychological Counseling Corner” where qualified counsellors or consultants are stationed to provide psychological counselling services to our employees as some of them may get homesick when working away from home.



Psychological  
Counseling Corner

## Listening to the Voice of Employees

We attentively listen to our employees' opinions and care for them, as well as set up transparent communication channels. To understand employees' needs and suggestions, we have developed a comprehensive complaint and suggestion mechanism for employees. The labour unions are responsible for understanding, investigating and handling complaints. The identity of the complainants and substance of complaints are kept confidential. We handle all complaints and opinions with independent, open and impartial attitude. As we receive opinions from employees, we would proactively respond to their expectation and demands. In case the complaints are substantiated, we will make appropriate arrangement in accordance with the rules, and implement measures for follow-up, rectification and precautions.

Labour unions of the PRC Factories and Vietnam Factory are important communication channels between us and our employees. The labour unions hold regular staff representative meetings to collect, listen to and timely respond to employees' appeals so as to manage and solve potential dispute and conflicts through amicable negotiation and thereby maintain a harmonious working atmosphere. The labour unions also provide 24-hour hotline and WeChat Official Account. We also have suggestion boxes set up in the factories for employees to lodge their complaints and express their opinions.

## Professional and personal development

In line with our philosophy to develop and excel ourselves together with our employees, we aim at promoting the career development and personal enhancement, while improving the quality of the Group. Therefore, we actively encourage our employees to participate in various trainings in their spare time for self-enhancement and strengthening business capabilities. Apart from that, the Group provides induction training and continuous internal training for employees at all levels. We believe that a systematic training mechanism can facilitate the acquisition of professional skills, as well as help our employees to adapt to the ever-changing business environment through lifelong learning. During the Reporting Period, 48%<sup>2,3</sup> of our employees received training, and are categorised as follows:

By gender <sup>3</sup> (%)		By employee category <sup>3</sup> (%)		
Male	Female	Senior management	Administrative employees	General employees
39.13	60.87	0.12	0.13	99.75



Business etiquette training



First aid training

<sup>2</sup> Employee training data does not include those who quit during the Reporting Period.

<sup>3</sup> With reference to the calculation of social KPIs as stipulated in "How to Prepare an ESG Report" published by the Stock Exchange and based on the number of employees as of the end of the Reporting Period, the calculation is adjusted to illustrate the ratio of employees to trained employees by category.

## Environmental, Social and Governance Report (continued)

**Senior Management****Development and Information Update Training**

- Provide update on the latest changes to the Listing Rules and related laws and regulations to enhance their knowledge about the Group's corporate governance and sense of responsibility
- Talks in relation to the Listing Rules, such as disclosure requirements on environmental, social and governance

**Administrative Employees Professional Training**

- Trainings on accounting system, financial knowledge and PRC taxation, with an objective to further enhance the job knowledge of the employees
- Programmes in relation to safety and first aid

**General Employees****Continuing Training**

- Work safety
- Environmental protection seminars and training to promote awareness towards conservation
- First-aid
- Workplace etiquette
- Psychological health and emotion management

During the Reporting Period, we provided a total of 27.25 hours<sup>4</sup> of different kinds of training to all of our employees, and each employee received about 5.67 hours<sup>4</sup> of training on average.

Average training hours of employee, by gender<sup>4</sup>:



Average training hours of employee, by employee category<sup>4</sup>:



<sup>4</sup> With reference to the calculation of social KPIs as stipulated in "How to Prepare an ESG Report" published by the Stock Exchange and based on the number of employees as of the end of the Reporting Period, the calculation is adjusted to illustrate the average number of hours of training for employees by category.

## Environmental, Social and Governance Report (continued)

## OCCUPATIONAL HEALTH AND SAFETY

Adhering to "Safety First, Prevention as Priority" to maintain our safety awareness, we are committed to creating a safe and healthy working and living environment to safeguard employees' health. We strictly comply with safety laws and regulations, such as the Law of the PRC on Prevention and Control of Occupational Diseases, in our places of operation and have implemented safety measures in our factories and offices to take precaution and prevent the occurrence of accidents. Secondly, in order to enhance the awareness of safety management, we have established Occupational Safety and Health Committee and Emergency Management Committee which are responsible for monitoring the measures relating to occupational health, production safety and fire prevention in our factories. The committees convene meetings regularly to discuss matters on production safety and training and proactively develop measures so as to reduce and prevent incidents of work injuries. Our Hebei Factory has also obtained ISO45001:2018 certification for occupational health and safety management system. The number of working days lost due to work injury recorded by the Group was 539.5 day during the Reporting Period, and there were no record of serious work injuries or death in the past three years (including the Reporting Period). The Group was not subject to any material administrative penalties or fines for any breach of laws or regulations relating to the provision of a safe working environment or the protection of employees against occupational hazards during the Reporting Period. We have developed safety guidelines, rules and procedures for different aspects of our production activities, including fire safety, factory safety, work injury and emergency evacuation procedures. The major measures are as follows:

### **Working Environment**

- Smoking in offices and factories is banned so as to provide a smoke-free and healthy working environment for employees, as well as to mitigate potential safety risks arising from smoking and prevent the smoke detectors from being triggered accidentally.
- As required by local regulations in each of its places of business, we have installed fire prevention and detection systems, and arranged regular inspections and functional tests of the systems. Fire prevention system approved by the relevant authorities has also been connected to the front desk of the office so that timely alert can be given and emergency measures such as firefighting and evacuation can be carried out.
- Nationally qualified independent third party agencies have been engaged to conduct dust, toxic chemical and noise tests for the PRC Factories and the Vietnam Factory. Relevant qualification certificates have been obtained to ensure that the environment of the factories meets the occupational health standards.
- Production machines and equipment are inspected regularly to prevent accidents.
- All offices and factory buildings are equipped with first-aid medical supplies and employees with first-aid certificates are stationed to take care of employees feeling unwell or suffering work injuries.

### **Employee Education**

- Newly recruited factory workers receive trainings on occupational safety, hygiene and first-aid knowledge to familiarise themselves with the operational safety procedures required for their positions and raise their awareness of production safety.
- All employees have to attend regular trainings on the usage of safety equipment, hygiene and first-aid knowledge to enhance their capability to respond to contingencies.
- Relevant operational safety guidelines and instructions for wearing protective gears are posted at respective production departments. Appropriate protective gears are also provided. Besides, employees operating dangerous mechanical equipment must undergo specialised professional training and put on proper protective gears.
- Training seminars on fire prevention and fire drills are organised regularly to enhance employees' awareness of fire prevention.



A fire drill taking place at the PRC Factories

## Environmental, Social and Governance Report (continued)

**Case Study — Preventive measures against novel coronavirus epidemic (“COVID-19”) in the year**

Since the outbreak of COVID-19 last year, global public health and safety are at great risk. Impact of the outbreak has continued into the Reporting Period and is far from over. In response to COVID-19 epidemic, we continue to monitor the development of the outbreak. The PRC Factories and the Vietnam Factory started to resume work in early 2020, subject to the resumption conditions announced by the respective nations. However, the following epidemic prevention measures are still strictly enforced to fight against the epidemic. Specific measures are as follows:

- Employees who have not yet resumed work at our factories and have developed symptoms such as flu, cough and fever are required to delay resumption of work, and to be placed under home quarantine for 14 days.
- All personnel are required to measure body temperature and be disinfected when entering and leaving the factory sites and must wear face masks within the factory sites and office areas. In addition, all personnel inside the factory sites are required to measure their body temperatures twice a day, i.e. in the morning and afternoon.
- Access control is enforced. Resident employees at staff quarters are not allowed to leave the factory sites once they have entered, unless there are good reasons to do so. As for local employees, the Group arranges them to work from home where possible, in order to minimise their risks of being exposed and infected.
- The entire areas in the factory sites, including working areas, living areas, public areas, elevators and toilets, are thoroughly disinfected at least two times a day. Hand sanitisers are provided in all toilets to encourage employees to wash their hands frequently and observe good personal hygiene.
- Employees at work are encouraged to communicate with telephones, WeChat and emails instead of face-to-face conversation. Production lines are also repositioned to ensure a certain safety distance between employees.
- Employees are arranged to have staggered meal breaks to avoid clustering. We have installed separation panels in the cafeteria to keep a certain distance between employees during meals. At the same time, we also encourage employees to take away their meals for consumption at staff quarters, and even provide lunch boxes to employees in the Vietnam Factory.
- Employees are prohibited from gathering in public area and staff quarters. The Group has assigned administrators to regularly check on the employees' compliance with these requirements.
- We put up posters and play videos on epidemic prevention at prominent places in the factory sites to enhance the awareness of epidemic prevention.
- In case of any suspected cases, we will notify the emergency center in a timely manner to arrange a special vehicle to transport the suspected patients to the designated hospital for examination, isolation and treatment.



## Environmental, Social and Governance Report (continued)

## Child and Forced Labour

The Group strictly complies with relevant laws and regulations such as the Employment Ordinance of Hong Kong, the Labour Law of the PRC and 2012 Labour Code of Vietnam. Child and forced labour is strictly prohibited. As child and forced labour violates basic human rights and international labour law, we strictly verify candidates' identity cards and household register in our recruitment process to ensure that their ages meet the relevant legal age to work in our places of operation, and eliminate all non-compliance involving child or forced labour.

We employ workers who are willing to work at the Group and will not tolerate any means of punishment, threat, coercion or deception to force any person to work involuntarily or overtime. We also encourage employees to report any non-compliance to the Group through a complaint mechanism. In case the complaints are substantiated, we will make appropriate arrangement for or inflict appropriate punishments on the relevant employee in accordance with the rules. During the Reporting Period, the Group did not find nor was involved in any non-compliance involving child or forced labour.

## Anti-corruption

The Group believes that integrity is the cornerstone of sustainable business development. We strictly follow relevant national laws and regulations, such as Prevention of Bribery Ordinance of Hong Kong, Criminal Law of the PRC and Regulations for Punishment for Corruption of the PRC and Law of Anti-corruption of the Socialist Republic of Vietnam. We are determined to oppose to any form of corruption such as bribery, extortion, fraud and money laundering.

We specify ethical behaviour standards to be met by our employees in the "Employees Handbook" and clearly explain the procedures in case of any conflict of interest in our "Conflict of Interest Policy". In addition, our employees can follow our established "Anti-fraud and Reporting Procedures" and make anonymous reports regarding bribery, fraud and corruption to the Internal Audit Department or the Audit Committee through an independent whistle-blowing channel.

During the Reporting Period, neither the Group nor its employees were involved in any concluded legal proceedings related to material non-compliance such as corruption, bribery, extortion, fraud, and money laundering. However, in the last year, we discovered that some employees were suspected of misconducts in the line of duty. The case has been officially reported to the local government law enforcement department and an investigation has been initiated. This case has been accepted for filing and is currently under trial. We have also conducted internal reviews and strengthened the implementation of internal control measures to avoid the reoccurrence of similar incidents.

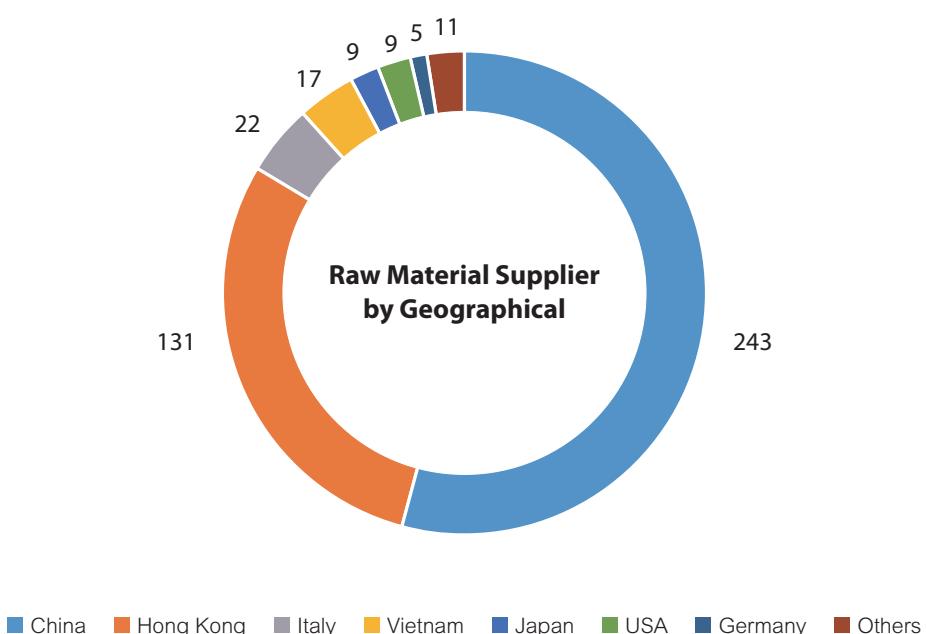
## Environmental, Social and Governance Report (continued)

### RESPONSIBLE PRODUCTION

We have been upholding the philosophy of "Quality First, Customer Priority and Continuous Improvement" and actively introducing advanced and highly automated production technologies and machineries to improve production capacity and product quality. Meanwhile, we are eager to embrace the latest market trends and strive for product innovation to satisfy our customers' needs. We also ensure that our products are free from any potential health and safety risk so that customers may rest assured working with us.

### Supply Chain Management

The major raw material used in production is yarn. Besides, we also purchase other materials such as buttons, zippers and washing materials from our suppliers. The distribution of our raw material suppliers<sup>5</sup> by geographical region is as follows:



We maintain our relationships with suppliers based on the principle of "Arm's Length Negotiation, Win-Win with Mutual Benefits". We insist in establishing long-term strategic partnership only with suppliers which have good reputations and provide quality products and services. To ensure quality and timely supply of raw materials, we have incorporated a set of strict criteria in the selection process to assess the suitability of suppliers, in respect of pricing, services, scale, technical capability, reputation, quality of raw materials and their ability to assure timely delivery. However, at the request of individual customers, we may be required to procure raw materials from their designated suppliers rather than based on our internal assessment. After internal assessment of a supplier, we will make a purchase in small quantity from the relevant supplier and conduct quality testing to ensure that the quality of the raw materials supplied is up to our standard before we proceed with bulk purchases and also put the supplier on the list of qualified suppliers.

In addition, all of our suppliers are generally subject to our annual evaluation, which includes assessments of their abilities and performances in different areas, such as services, product quality, price and product delivery time. When necessary, we also require suppliers to provide certificates or inspection reports on the quality of raw materials, and closely monitor the supply of raw materials. In addition to stringent product safety and quality control, we also encourage suppliers to continuously improve their environmental and social sustainability performance. Our major suppliers are required to sign a "Letter of Undertaking of Social Responsibilities" in fulfilling various requirements for social responsibilities such as environmental protection, anti-discrimination and not employing child labour in their operation.

<sup>5</sup> Data of Suppliers do not include accessories suppliers.

## Environmental, Social and Governance Report (continued)

## Sustainability of Materials

We are concerned about the sustainability of product materials. Therefore, we participate in a number of certification audits, as well as take the initiative to keep an eye on the market conditions so as to obtain international green marks related to knitwear products to prove that our products comply with green procurement standards and are environmentally-friendly. During the Reporting Period, we have obtained the following internationally renowned certifications in the textile industry, which fully demonstrates the recognition of our sustainable development in materials and supply chain management, and ensures that we are able to provide quality and reliable products to our customers and strengthen their confidence in us.

## Supporting Better Cotton Initiative

We have been a member of the Better Cotton Initiative (“BCI”) since 2016. BCI, a non-profit organisation, aims to promote sustainable production of cotton in all aspects, including training farmers to adopt the best management on environmental, social and economic aspects in cotton production. The BCI proposes the following six major long-term objectives:

1. to demonstrate the inherent benefits of “Better Cotton” production, particularly the financial profitability, for cotton farmers;
2. to reduce consumption of water and impact of pesticides on human health and the environment;
3. to improve the soil health and biodiversity;
4. to promote decent work for the cotton-farming communities and plantation workers;
5. to facilitate the global knowledge exchange on sustainable cotton production; and
6. to increase the traceability along the cotton supply chain.

As a member, we undertake to abide by the Code of Practice established by the BCI, to work with the BCI and its members to nurture and grow a “Better Cotton” market, and to reduce the negative impact on the environment, society and economy.

## Environmental, Social and Governance Report (continued)

### **Complying with International Ethical Standards of Suppliers**

Supplier Ethical Data Exchange ("Sedex") is the largest global platform for supplier ethical data exchange with members from over 150 countries. We have passed the Sedex Members Ethical Trade Audit, which includes labour standards, health and safety, environmental protection and business ethics, and have been granted the relevant certification to recognise that we comply with the stringent business ethical standards of Sedex.

### **Ensuring Safe Supply Chain Management**

We have become a member of the Global Security Verification ("GSV") after passing the relevant audits by Intertek, in recognition of the security operation and anti-terrorism management in our supply chain management, covering storage and distribution, shipment information controls, records and documentation, contractor controls, personnel security, transparency in supply chain, physical security, information access controls and export logistics, all compliant with the security requirements of the U.S. Customs and Border Protection of the U.S. Department of Homeland Security. By obtaining the GSV certificate, we are able to provide customers with safe supply of products and speed up cargo handling.

### **Complying with the International Recognition Level for Contents of Organic Raw Materials**

We are certified by Control Union Certifications, an authorised certification agency, under the Organic Content Standard 2.0, which is an internationally applicable textile product certification standard developed by the Textile Exchange, proving the organic planting material contents labelled in some of our organic knitwears are the same as the organic raw materials used in the production.



### **Meeting the Global Recycled Standard for Textiles**

We are certified by Control Union Certifications, an authorised certification agency, under the Global Recycled Standard 4.0 (“GRS”), a textile exchange certification standard, in respect of global third party product certification standards on recycled content of obsolete textiles, chain of custody, social and environmental practices, and chemical restrictions. As some of our products contain recyclable fibre, to ensure traceability of recyclable fibre, reduce harms to social and the environment in the production and to meet the monitoring mechanism of the industry supply chain, we affix corresponding GRS logo on products with recyclable contents of 20% or above, in accordance with the GRS's recycled content standard.



### **Complying with the International Standard for Wool Content**

We have obtained the Pure New Wool certification issued by the Woolmark Company, which proves that the physical properties of our products, such as wool content, colour fastness, dimensional stability and abrasion resistance meet the high international quality standards. The use of the marks as specified in the certificates on wool products can effectively enhance the confidence of customers and end-users in our products.



### **Responsible Wool Standard**

We have been audited by Control Union Certifications, an authorised certification agency, in accordance with the Textile Exchange Certification Standards for our wool suppliers' plantation and are certified to meet the Responsible Wool Standard, evidencing the wools we use come from sheep raised in a humane manner and our suppliers adopt progressive approach to manage the land of their plantations. Therefore, the source of wools used in our products can gain confidence from customers and end-users.

## Environmental, Social and Governance Report (continued)

### Product Quality Assurance and Liability

Our knitwear products include: menswear, womenswear and other products



## Environmental, Social and Governance Report (continued)

Product quality and safety are the keys to success, and rank the highest priority in our business. As a responsible manufacturer, we set up a stringent quality monitoring system throughout the entire production process which is subject to multiple levels of close control to ensure the highest quality of our products. Our production quality management system has been certified as an ISO 9001:2015 quality management system to ensure we meet its production requirements for knitwear products. The entire quality control system is meticulous in every detail throughout the process, ranging from the procurement of raw materials, manufacturing, checking to delivery, in a bid to ensure our products meet or even exceed national and industrial standards and achieve the Group's quality objective, i.e., a pass rate of over 98% in the inspection of finished products.



## Environmental, Social and Governance Report (continued)

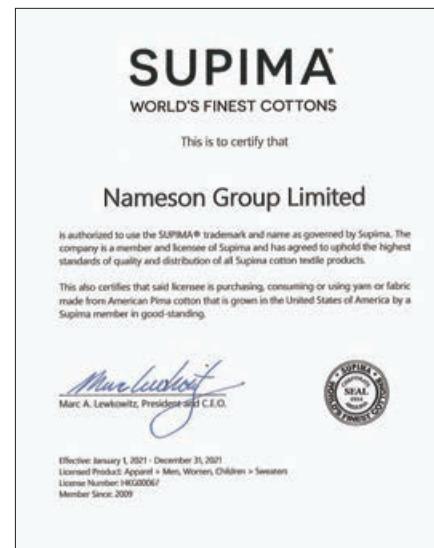
Our quality control measures include:

### Suppliers and Subcontractors

- We conduct quality assessment of suppliers and subcontractors based on a number of stringent internal standards, and a rating will be given to them after inspections and assessments of their business sites or production bases.
- The yarn purchased by and the products manufactured by the Group passed Oeko-Tex Standard 100 Class II set by the Oeko-Tex® Association. The laboratory tests comprise about 100 testing parameters, including substances or composition prohibited or regulated by laws, such as formaldehyde, heavy metal, phenols, azo colorant, plasticizer, human carcinogen and allergen dye, or those with known hazards to health but not yet expressly regulated by laws demonstrating that the yarn we use for production and our finished products do not contain substances harmful to the human body or the environment with skin-friendly PH value and good colour fastness.
- Suppliers are required to provide test reports or certificates for their raw materials during the purchasing process.
- For other chemical excipients, such as washing materials and plastic pellets, we require the suppliers to provide relevant safety data sheets and test reports to ensure they are free from harmful substances. These excipients are stored and handled according to different risk categories, so as to avoid any negative impact on the environment or products.
- The principal material for our self-made packaging plastic bags is plastic pellets. Hence, during the purchasing process we require the suppliers to confirm whether the plastic pellets to be provided comply with the "National Food Safety Standards for Plastic Resins Used in Food-contact".

### Use of Premium Extra-Long Staple Cotton

- We have been a member of Supima organisation since 2009, proving that we use premium quality American Supima cotton as raw material for our products.
- Compared with other regular cotton, Supima cotton is characterised by its thinner and longer fiber length, which can reduce wear and tear and the problem of pilling thus extending the products' useful life. With higher fiber strength, products made of Supima cotton are soft, elastic and comfortable to wear. Its good colour fastness means that colour of the products is less likely to fade and can last for many years.
- The Supima organisation is very strict in terms of authorisation, therefore apparel factories that use Supima cotton are well qualified, and many top apparel brands also promote their products by highlighting the use of Supima cotton.

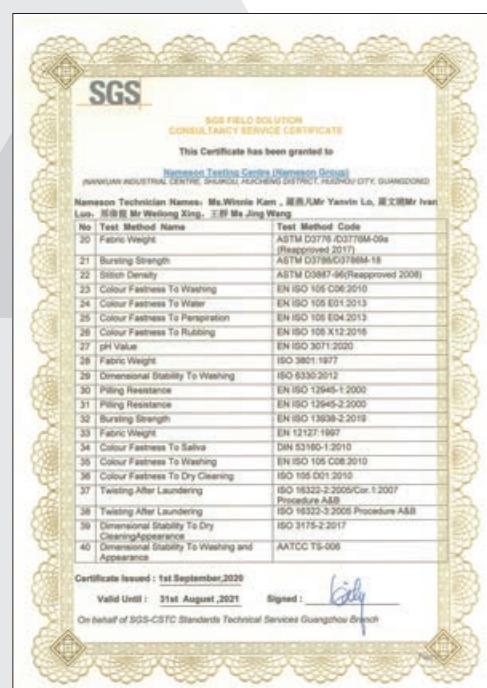


**Testing Centre and Material Monitoring**

Our PRC Factories have their own testing centres. One of the testing centres has been granted an SGS Field Solution Consultancy Services Certificate by SGS-CSTC Standard Technical Services — Guangzhou Branch, authorising the testing centre to conduct around 40 physical and chemical quality tests on yarn and knitwear products as listed on the certificate. Moreover, some of our customers, including UNIQLO, Perry Ellis and Lands' End, also issued accreditation certificates to the testing centre after review and authorised us to conduct certain quality tests on their products. In addition, each factory has its own quality control department to carry out the following quality control measures on raw materials and production accessories:

- Prior to purchasing raw materials, samples of the raw materials are tested for colour fastness to ensure the fading of the dye used on the yarn under different conditions, such as sun exposure, rubbing, washing and ironing, meets our internal requirements before we make bulk purchase.
- Prior to production, the quality control department carries out sample quality testing on the raw materials focusing on different characteristics of the materials, to ensure the quality meets our in-house standards, regulatory requirements of the export destinations and customers' requirements before they are used for production. For yarn, which is the raw material mainly used for our knitwear, we will test its colour fastness to washing, water and perspiration etc. For the production of cashmere yarn, our tests will be focused on its physical indicators such as abrasion resistance, colour fastness to perspiration and water as well as pilling.
- We will add more testing instruments based on customers' requirement so that our testing method can meet our customers' demands.

Environmental, Social and Governance Report (continued)



## Environmental, Social and Governance Report (continued)

**Production Team**

- Automated production equipment and computer-aided precision embroidery technology are used together with manual inspection procedures to ensure product quality is maintained at a high level.
- Regarding the orders of new products or new styles, we hold meetings and conduct relevant production and quality training for production teams. We also conduct stringent tests on the first finished product. Mass production will be carried out only after the tests are passed.
- Our quality control department carries out various quality inspection procedures at all major stages of production process, such as the inspection on knitted panels after linking and stitching, post-washing inspection, post-measurement inspection, post-ironing inspection and lighting inspection on semi-finished products. For the production of cashmere yarn, we clean the machine and equipment during the drying, bagging and combing process to prevent different-coloured yarns from being stained. In addition, we also conduct physical tests such as colour fastness, strength, cotton density and pilling resistance of semi-finished and finished yarns to ensure no substandard products will proceed to the next process.
- Our quality control staff conduct random inspections on semi-finished products and finished products according to the international standard AQL2.5. Our in-house inspection standards are generally more stringent than customers' quality requirements to ensure our products are of high quality.
- All of our finished products are subject to final inspection and needle inspection to ensure the products do not contain any broken needles or ferrous metallic foreign objects.
- Some international brands customers require our quality inspection staff to pass their own examinations for quality assurance before conducting quality inspections on their products that we produce.

**Customers**

- Our products are mainly sold to retailers of international apparel brands, so we are also required to comply with the code of conduct and quality requirements standards set by individual customers.
- We are also subject to inspection by our customers from time to time in terms of regulations, product quality as well as environmental and labor standards.
- We also submit quality reports to our customers on a regular basis.

## Environmental, Social and Governance Report (continued)

### **Product Returns**

The Group strictly adheres to the laws and regulations on product liability in the places where it operates so as to protect consumers' interest. Due to our original equipment manufacturer ("OEM") operating model, we mainly carry out production based on the requirements of our customers, while end consumers are usually unaware of the manufacturer of these products. They will only claim compensation against the retail brand selling the products. Therefore, our risk exposure of assuming the obligation or compensation for personal injuries or loss of properties arising from by the use of our products by end consumers is relatively low, yet we still face a certain degree of potential compensation risk. During the Reporting Period, we were not subject to any product liability claims due to safety and health reasons, and we did not recall any products nor receive any major customer complaints about our product quality.

Nevertheless, we have developed a comprehensive product returns policy. Upon receiving complaint from customer in respect of defective products, we accept any product returns for defective products, if proved to be our fault after internal investigations, and bear the costs of such product returns. Depending on the circumstances, we may repair, replace the defective products or refund to our customers. In case the defect is determined to be the liability of raw material suppliers or subcontractors, we would seek reasonable compensation from them, re-evaluate the relevant supplier or subcontractor and reconsider the possibility of cooperation with them in the future.

### **Intellectual Property Rights, Data Protection and Privacy**

The Group strictly abides by the relevant laws and regulations in respect of the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong), the Trade Marks Ordinance (Cap. 559 of the Laws of Hong Kong), and the Trademark Law of the PRC, and keeps the personal information of stakeholders collected confidential. While we strive to protect our own intellectual property rights, we also respect the intellectual property rights owned by third parties.

***"We are committed to collecting and using the customer data in a responsible and unbiased manner"***

The Group requires its employees to keep all sensitive information of the Company confidential and to handle customer information with care as stated in the "Employees Handbook", and also strictly observes the use of customer information and confidentiality obligations stipulated in the contracts with customers. Notices are posted in the sample development units, display rooms and workshop areas of our factories, reminding the employees that no photography is allowed to prevent divulgence of confidential information of the Group or customers. In addition, computers used for storing sizes and original patterns drawings of our knitwear products are protected with security measures by the Technical Center which block access to the Internet and computer ports. In order to prevent divulgence of confidential information and copyright infringement, application for approval of downloading and using such information during the working process is required. We, as requested by our customers, burn the remaining brand labels to ashes in the presence of our customers at the end of each year, in order to avoid misappropriation of the labels. During the Reporting Period, we have strictly complied with the terms of the agreements stipulated in our customers' contracts in relation to the Group's handling of customers' brand labels. The Group registered 17 domain names which are significant to the Group's business and 6 trademarks in the PRC. Besides, the Group also registered 8 domain names which are significant to the Group's business and 4 trademarks in Hong Kong. Prior to using the intellectual property rights of third parties (e.g., supplier/customer/partner brand logos) for business purpose, we will first obtain written authorisation from such third parties.

To the best of our knowledge, during the Reporting Period, there were neither irregularities nor data leakage, and we had not received complaints from external parties or regulatory authorities in respect of the Group's failure to protect customer privacy or safeguard customer data. As OEM is the major operating model of the Group, and we do not possess our own brand, we will not promote directly to our consumers or make any advertisements. During the Reporting Period, we were not involved in any material proceedings in respect of intellectual property rights, and as far as we know, there was no claim for infringement of any intellectual property rights that involved us either as a claimant or respondent.

## Environmental, Social and Governance Report (continued)

## ENVIRONMENTAL PROTECTION

The Group adheres to the new industrialisation orientation with high technological content, low resource consumption and good environmental and economic benefits, and strives to become a "resource-saving and environmentally-friendly" enterprise. Therefore, we actively promote the concept of environmental protection to our employees, and continue to optimise production equipment and processes, implement cleaner production, minimise and control the negative impact on the environment within acceptable limits, and enhance our green competitiveness.

In the course of operation and production, the Group complies with the relevant laws and regulations regarding environmental protection in places where it operates, such as the "Environmental Protection Law of People's Republic of China", the "People's Republic of China Law on Prevention and Control of Water Pollution", the "Law of the People's Republic of China on Soil and Water Conservation", the "People's Republic of China Law on Prevention and Control of Air Pollution" and the "National Technical Regulations for Industrial Sewage" of Vietnam. Our Hebei Factory has obtained ISO14001:2015 environmental management system certification, which promotes sustainable development by systematically planning and preventing negative environmental impacts of production. In recent years, we have also seen increasingly stringent environmental regulations, with a focus on environmental issues, such as China's announcement to achieve carbon neutrality by 2060. Hence, besides regular review to ensure compliance of environmental protection laws and regulations, we will also explore and apply new equipment and technology for energy saving and emission reduction, so as to fulfill our responsibility for environmental protection. To the best of our knowledge, during the Reporting Period, our production and operation activities complied with the laws and regulations in relation to environmental protection. Besides, the Group was not subject to any significant administrative penalties or fines for any material breach of environmental laws or regulations.

## Environmental, Social and Governance Report (continued)

**Environmental Data**

The Group's performances in emissions, use of energy and resources during the Reporting Period are as follows:

<b>Indicators</b>	<b>Current year</b>	<b>Last year</b>
<b>Air emissions<sup>6</sup></b>		
Nitrogen oxides (NO <sub>x</sub> ) (tonnes)	39	41
Sulfur oxides (SO <sub>x</sub> ) (tonnes)	16	17
Particulate matter (PM) (tonnes)	15	17
<b>Greenhouse gases<sup>7</sup></b>		
<b>Total emissions (Scope 1, Scope 2 and Scope 3)<sup>8</sup> (tonnes of CO<sub>2</sub>e)</b>	<b>102,191</b>	<b>105,049<sup>8</sup></b>
Greenhouse gas intensity <sup>9</sup> (kg of CO <sub>2</sub> e/production unit)	2.62	2.35
Scope 1 (tonnes of CO <sub>2</sub> e)	46,400	49,086
Scope 2 (tonnes of CO <sub>2</sub> e)	55,856	55,882 <sup>8</sup>
Scope 3 <sup>10</sup> (tonnes of CO <sub>2</sub> e)	23	165
Total emissions of greenhouse gases reduced by planting trees (tonnes of CO <sub>2</sub> e)	88	84
<b>Direct or indirect energy</b>		
<b>Total energy consumption (MWh)</b>	<b>252,718</b>	<b>260,878</b>
Energy consumption intensity <sup>9</sup> (kWh/production unit)	6.47	5.83
<b>Direct energy</b>		
Coal consumption (MWh)	83,332	93,016
Unleaded gasoline consumption (MWh)	725	1,656
Diesel consumption (MWh)	1,926	2,011
Town gas consumption (MWh)	3	2
Liquefied petroleum gas consumption (MWh)	753	953
Natural gas consumption (MWh)	92,739	89,736
<b>Indirect energy</b>		
Electricity consumption (MWh)	73,240	73,449
Steam consumption (MWh)	- <sup>11</sup>	55

<sup>6</sup> Our disclosures on air and greenhouse gases (GHG) emissions have been prepared based on the requirements stipulated in "How to Prepare an ESG Report" published by the Stock Exchange and "GHG Protocol: Corporate Accounting and Reporting Standard (Revised Edition)" published by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD).

<sup>7</sup> GHG emissions data is presented in terms of carbon dioxide equivalent. The data of Scope 1 (direct emissions) includes operations that are directly controlled or managed by the Group. The data of Scope 2 (indirect emissions) takes into consideration the indirect electricity, heat, refrigerants and steam consumed by the Group (purchased or sourced from external parties).

<sup>8</sup> The scope 2 (indirect emissions) data for 2020 are recalculated with reference to the emission factor for purchased electricity in Mainland China newly included in "How to Prepare an ESG Report" published by the Stock Exchange.

<sup>9</sup> The intensity of the Group's specific products is calculated as a unified unit based on reasonable assumptions of conversion to pieces and therefore all data in respect of the calculation of intensity for last year have been restated to reflect actual usage.

<sup>10</sup> Scope 3 emission data include indirect GHG emissions from business trips of air travel of employees, calculated by the Carbon Emissions Calculator of International Civil Aviation Organisation, a United Nations agency.

<sup>11</sup> Due to the change in the reporting scope, the Group's use of steam during the Reporting Period was not involved.

## Environmental, Social and Governance Report (continued)

<b>Indicators</b>	<b>Current year</b>	<b>Last year</b>
<b>Water resources</b>		
<b>Total water consumption ('000 m<sup>3</sup>)</b>	<b>2,928</b>	<b>3,039</b>
Water consumption intensity <sup>9</sup> (m <sup>3</sup> /production unit)	0.07	0.07
<b>Hazardous waste</b>		
<b>Total volume (tonnes)</b>	11	2
Hazardous waste intensity <sup>9</sup> (g/production unit)	0.27	0.04
<b>Non-hazardous waste<sup>12</sup></b>		
<b>Generated and disposed volume (tonnes)</b>	<b>4,807</b>	<b>4,456</b>
Generated and disposed non-hazardous waste intensity <sup>9</sup> (g/production unit)	123.09	99.66
<b>Packaging materials used for finished products</b>		
<b>Total volume (tonnes)</b>	<b>1,513</b>	<b>1,824</b>
Packaging materials used for finished products per production unit <sup>9</sup> (g/production unit)	38.74	40.80
Plastic bags (tonnes)	321	392
Cartons (tonnes)	1,192	1,432

**Targets and Indicators**

The Group has always been highly concerned with sustainability issues and is committed to reducing carbon emissions and energy consumption, and has been making continuous efforts to achieve our targets over the years. During the year, we engaged external professional consultants to provide us with a more accurate estimate of our future carbon emissions and energy consumption data, and to adjust our carbon emissions target and set energy savings target in line with our planned sustainability strategy. We will achieve the following targets<sup>13</sup> on or before financial year 2031 against the baseline in financial year 2021:



Total carbon emissions reduced by **10.5%**



Total energy consumption reduced by **4.3%**

<sup>12</sup> As non-hazardous waste from staff dormitory in Hong Kong is not significant, it is excluded from the total volume of non-hazardous waste.  
<sup>13</sup> Our environmental targets only cover Hong Kong Offices as well as the PRC Factories and the Vietnam Factory which are currently in operation.

## Environmental, Social and Governance Report (continued)

### Exhaust Gas Treatment

The operation of boilers, use of gas stoves in canteen and travelling of vehicles and vessels are the main sources of air pollutants such as nitrogen oxides, sulfur oxides and particulate matter (including smoke and dust). We manage responsibly and monitor closely our emissions to ensure strict compliance with the relevant emission laws and regulations in the places where we operate.

To ensure that our boiler emissions are in compliance with the emission standards of the places where we operate, guidelines and rules related to the restrictions on pollutant emission and internal environmental protection management procedures are formulated. Moreover, approved boiler burners and exhaust gas treatment systems are installed in the PRC Factories and the Vietnam Factory. The Group regularly engages independent third-party professional agencies recognised by the respective countries to conduct compliance tests on exhaust gas emissions from boilers in accordance with the relevant regulations of the places where we operate. As a result, during the Reporting Period, the air pollutant emissions of our boilers complied with the "Emission Standard of Air Pollutants for Boiler" enacted by the Guangdong Environmental Protection Bureau and the exhaust gas detection standard set out in the "National Technical Regulation on Industrial Emission of Inorganic Substances and Dusts" promulgated by the Ministry of Natural Resources and Environment of Vietnam.

In line with the carbon reduction strategy promulgated by the PRC government, we have switched to more energy-efficient natural gas boilers. Due to the low content of nitrogen and sulfur in natural gas, the carbon dioxide ( $\text{CO}_2$ ), sulfur dioxide ( $\text{SO}_2$ ) and nitrogen oxides ( $\text{NO}_x$ ) released during combustion will be relatively less. Moreover, natural gas can easily mix with air so that natural gas boilers do not require the atomisation process which is necessary for coal boilers, while achieving better burning efficiency and overall energy utilisation. The energy saver and condenser of natural gas boiler can control the temperature of the emitted smoke, collect the residual heat and the heat of vaporisation of the smoke, enhancing the thermal efficiency of the boiler. Apart from the above advantages, the existing gas boilers we use are also applying the following technologies:

- Flexible corrugated design of the furnace and the two-pass threaded pipe increases the heating surface and thermal conduction, allowing the fuel to fully burn and reduce the emission of hazardous exhaust gases.
- The boilers are equipped with high-quality burners and operate with micro-positive pressure combustion to ensure a stable dynamic condition and adequate combustion to avoid the gas shock phenomenon, thereby reducing smoke, dust and noise.

In addition, our employees responsible for boiler maintenance also carry out performance tests on boilers on a regular basis to ensure that they are in good operating condition to reduce wear and tear.

## Environmental, Social and Governance Report (continued)

## Sewage Treatment

Our sewage is primarily generated from water for daily life and washing materials used in the manufacturing process of knitwear, such as degreasers, rust removers and reserving agents. We attach great importance to sewage treatment, and strictly abide by relevant local laws and standards of the places where we operate, including the "Discharge Limits of Water Pollutants" issued by the Guangdong Environmental Protection Bureau in the PRC and the "National Technical Regulation on Industrial Wastewater" stipulated by the Ministry of National Resources and Environment in Vietnam. We have adopted a variety of measures to properly treat and reuse production wastewater and domestic sewage. We have also developed sewage discharge and treatment procedures. All of our factories are equipped with sewage treatment systems to disinfect and purify the wastewater collected from production and domestic sewage with separate pipelines, so that the amount of pollutants in wastewater is reduced to the level required by the local regulations before it is discharged to the local sewage treatment centre. For one of the sewage treatment systems in the PRC Factories, the Environmental Monitoring Station adopts a remote monitoring system in the clear water pool and carries out anion tests before the wastewater is discharged, to ensure conformity to the sewage discharge standards. In the event of a sewage system failure, we will first discharge the sewage to a storage tank and then re-run the treatment and filtering process after the system has been repaired.



Sewage treatment facilities

All factories of the Group regularly engage independent third-party professional agencies recognised by the respective countries to conduct tests on sewage discharged to ensure its compliance with the relevant laws and regulations of the places where we operate. During the Reporting Period, we engaged independent third-party inspection and testing agencies recognised by the respective countries to carry out the tests on our industrial wastewater in accordance with the national standards. The test items include Chemical Oxygen Demand, Five-day Biochemical Oxygen Demand and Hexavalent Chromium.

In 2019, Ministry of Ecology and Environment of the PRC has publicly solicited comments on the revision of water pollutant discharge standards applicable to the textile industry, showing that the PRC intends to tighten up the regulation of effluent discharge applicable to the textile industry in the future. As such, we would actively explore cleaner production technologies such as bio-enzyme washing, ultra-filtration to concentrate lanolin and more advanced wastewater treatment technologies to enable timely response to more stringent emission requirements in the future.

## Environmental, Social and Governance Report (continued)

### Energy and Resources Management

Energy consumption is closely related to greenhouse gas emissions. Therefore, we are committed to reducing the Group's energy consumption, including electricity, fuel for the boilers, liquefied petroleum gas used in canteens, diesel oil and unleaded gasoline used in vehicles, etc. As a knitwear manufacturer, water is also an essential resource for our operation. As the water we used mainly comes from the water plant of the places where we operate, we have not encountered any problem in sourcing water. The Group strictly follows the relevant laws and regulations in relation to energy and resources consumption of the places where we operate, such as the "Energy Conservation Law of the PRC", the "Water Law of the PRC" and the "2015 Environmental Protection Act of Vietnam", and adopted the following environmental protection measures during the Reporting Period:

#### Energy Saving

- Energy measuring devices are in place to measure the energy consumption of installations, systems, processes and major equipment in the production plant.
- Air-conditioning temperature is maintained in the range of 22°C to 25°C.
- Information on environmental and emission reduction is shared with staff by way of audio and video announcements, video projections, training and bulletins.
- We work with the Ministry of Industry and Commerce of Vietnam to prepare annual energy saving reports and study emission reduction and energy saving plans. We also arrange annual energy saving inspections by a third party at our factory in Vietnam.
- Provision of lighting to match daylight hours.
- Regular maintenance of machines and equipment to ensure they are in normal operation and to avoid energy wastage due to poor operation.
- During the year, a third party is engaged to provide an energy saving assessment and review and to optimise the lighting system in Hong Kong Offices.



#### Continuous optimisation of "green" lighting systems

---

In 2016, we began a programme to improve our lighting systems by gradually replacing the conventional lighting systems used in our offices and factories with energy-efficient light-emitting diode ("LED") luminaires. Compared to conventional light bulbs, which contain large amounts of harmful and environmentally polluting substances such as mercury, the materials used in LED lighting do not contain harmful chemicals and are much kinder to the environment and the planet. In addition, LED lamps use about 85% less electricity than conventional incandescent bulbs and have a longer average life span. The high efficiency LED lights installed are expected to save approximately 194,190 kWh of electricity consumption per year, representing an average power savings of approximately 54% as compared with the electric lamps used in the past, which will improve energy efficiency and help to reduce production costs and carbon footprint in the long run.

## Environmental, Social and Governance Report (continued)

**Water Saving**

- Reminders for energy and water saving are posted in conspicuous spots.
- A subsidised water and electricity system is in place to provide a fixed amount of free water and electricity in staff quarters to encourage staff to conserve resources.
- Regular maintenance checks are carried out on water pipes to avoid wastage of water due to wear and tear problems such as clogs and leaks.

**Recycling of Production Effluent — Water Reclamation Station**

We have water reclamation stations at all of our factories, effectively reusing about 60% of the water resources used in production. We treat the effluent from production by using the biochemical treatment technology and softening system of the water reclamation system to further remove the organic pollutants from the effluent. The treated effluent is reused in the flushing system, washing of factory roads and plant irrigation. Our factories in the PRC and Vietnam are equipped with water reclamation stations with a capacity of 2,000 cubic metres and 300 cubic metres per day respectively.

**Packaging Materials**

The packaging materials used by the Group are mainly plastic bags and carton boxes, the sizes of which are determined according to the requirements of different customers and size of the products. Although packaging materials are an integral part of our products, we are committed to improving the utilisation of our resources. Firstly, we reuse old cartons in good condition internally. Secondly, the leftover clear plastic bags after packaging are recycled into plastic pellets and then remade into plastic bags of different sizes. Details of product labelling required by our customers and the export destinations are not covered in the Report due to the principle of materiality.

## Environmental, Social and Governance Report (continued)

## WASTE MANAGEMENT

Waste disposal is one of the key environmental issues. Therefore, we have established relevant environmental protection policies and waste disposal procedures, and set out measures for the management and supervision of waste during the production process to ensure that the waste and by-products generated are properly disposed and discharged to minimise their negative impact on the environment. Our waste can be broadly classified into the following three main categories:

Non-hazardous waste	Municipal solid waste	<ul style="list-style-type: none"> <li>• Waste is collected daily from the factory dormitories and offices and transported to a designated waste storage area for proper disposal by our service provider.</li> <li>• To facilitate the separation of domestic waste, we have implemented waste separation measures in our Vietnam Factory by classifying domestic waste into three categories: "recyclable", "non-recyclable but degradable" and "non-recyclable and non-degradable", and encouraging our staff to dispose of them separately.</li> <li>• In order to promote environmental protection, our Vietnam Factory minimises the purchase of bottled drinking water to reduce plastic waste. The amount of bottled water purchased during the year decreased by approximately 59% compared to last year.</li> <li>• We encourage our staff to develop good paper usage habits to conserve paper and to centralise the recycling and reuse of waste paper.</li> </ul>
Non-hazardous industrial solid waste		<ul style="list-style-type: none"> <li>• Waste cardboard, waste yarn and waste yarn bobbins: We will sort and collect them before selling them to recycling service providers for appropriate disposal. To reduce the generation of non-hazardous waste, we work with some of our suppliers to arrange for the recycling of reused waste yarn bobbins to maximise material recovery. At the same time, we give priority to using surplus yarn for interlining in the production process without compromising product quality.</li> <li>• Remaining coal cinder from boiler: We will first conduct heavy metal index analysis and screen out the coal cinders with excessive metal content for proper disposal by a qualified recycling service provider.</li> <li>• Sludge generated during the purification of wastewater: The sludge will be stored in a designated collection area to avoid contamination before being handed over to a qualified recycling service provider for proper disposal.</li> </ul>
Hazardous waste	<p>Waste resins, packaging bags of dyes and liquid waste at on yarns in the production process of cashmere yarn at the PRC Factories; and containers used to store chemicals and substances containing heavy metals in the production process at the Vietnam Factory, e.g. fluorescent tubes.</p>	<p>We have designated a special area in the factory for the temporary storage of hazardous waste. All hazardous waste generated during the production process is collected and stored in a centralised area, labelled with a hazardous waste label and managed according to the hazardous waste classification code. The Group strictly complies with the laws and regulations relating to hazardous waste under the Environmental Protection Law of the People's Republic of China and Management of Waste &amp; Discarded Materials: 38/2015/NĐ-CP of Vietnam and has entrusted qualified recycling service providers to properly dispose of such waste.</p>

## Environmental, Social and Governance Report (continued)

## The Environment and Natural Resources

### Product Sampling

The Group uses advanced flat knitting simulation system to design product samples for our customers, and provides them with high-definition computer simulation graphic as a rendering of our products. Customers can modify their product design by the virtual 3D simulation renderings instead of making physical samples repeatedly. This can save the time and costs involved in the production of samples and reduce the wastes produced in the process.

### Green Factories

The Group aims to create an environmentally friendly community by cultivating green space. This also allows employees to work and live in a high-quality and comfortable place, which is conducive to the healthy development of their body and mind. The design of our factory sites balances the ecological and aesthetic aspects with an emphasis on planting. Greenery occupies more than 40% of the Group's factory area in Huizhou, therefore employees can enjoy the beauty of nature around every corner.



In addition to greenery, our Huizhou Factories have reserved space for organic farming to grow seasonal fruits and vegetables, providing organic food to be consumed at our staff canteens.

## Environmental, Social and Governance Report (continued)

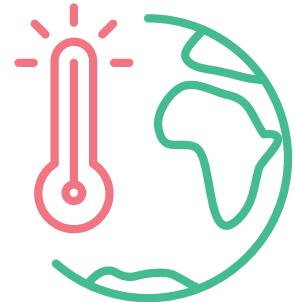
### **Food Waste Treatment**

Our food waste comes from leftovers produced by the food and beverage department in the course of offering catering services to our employees and visitors. Staff of our food and beverage department clean up the kitchen garbage in a timely manner to avoid growth of pathogenic bacteria. Landfill treatment of food waste would create greenhouse gases, speed up global warming and affect the ecological environment. Therefore, our Huizhou Factories cooperate with swine farms in food waste recycling. By recycling our food waste and turning it into pig feeds after treatment, we can reduce waste production, relieve the burden of waste disposal and dispose of food waste in a more efficient manner, thus achieving a win-win situation.

We understand that more emphasis should be put on reducing waste at source besides treating it properly. Therefore, under the principle of avoiding food waste, the food and beverage department purchases and prepares meals based on the number of visitor and staff diners. We advise our staff to treasure food and minimise the production of food waste.

### **CLIMATE CHANGE**

The Group understands that global warming is an important issue of great concern to the businesses sector and the general public and has direct and indirect impact on the operation of our business. We will therefore develop a long-term climate change strategy to enhance our ability to cope with extreme weather. We use a risk-based analytical approach to assess the impact of climate change on our business and identify the associated climate change risks in accordance with our enterprise risk management framework. The Board and the Sustainable Development Task Force will re-evaluate the level of risks associated with climate change on an annual basis. If there is a change in risk rating, the Group will adjust its response measures accordingly and review the effectiveness of such measures on an ongoing basis.



Due to global warming, we believe that consumers may reduce their demand for knitwear products, thus affecting our business development. We have stepped up our efforts in market research and actively developed knitwear products suitable for spring and summer to attract different customer sources. We have also sought to diversify our business into printing and dyeing fabrics in order to cope with the risks of climate change.

## CONTRIBUTIONS TO THE SOCIETY

The development of the Group depends on the support of the community. Therefore, we are committed to reaching out to the community and participating in various charity activities to give back to the community and fulfill our responsibilities as a member of the community. As a civic-minded and socially responsible company, we have been actively involved in charitable activities for many years and are committed to building a better society. During the Reporting Period, we made sponsorships and donations of over HK\$3 million in total to various non-profit and charitable organisations, and were awarded the "Award of Excellence" by The Community Chest of Hong Kong. In addition, our factories around the world will also make donations and visits to local families in need, veterans, victims of disasters and nursing homes to contribute to the needy in the community and spread positive energy. We also hope to encourage our staff to participate in more volunteer activities to promote a positive culture of philanthropy and to promote voluntary participation in charitable activities for the needy in the community. During the Reporting Period, the total number of hours we spent on volunteer activities was approximately 35 hours. We are committed to on-going participation in various charitable activities in the future to create a caring community.

As the COVID-19 epidemic has been wreaking havoc since 2019, we have not only taken preventive measures at our factories and provided epidemic prevention materials to our staff, but also donated masks to various government, educational and public organisations such as the Chinese People's Liberation Army troops, Huicheng District Shuikou Street Office in Huizhou City and Huizhou Shuikou Central Primary School during the year to help fight the epidemic along with the government and the community.



## Environmental, Social and Governance Report (continued)

**FUTURE PROSPECTS**

We hope that all stakeholders can have a better understanding of the Group's operating philosophy and performance in sustainable development through this Report. We would like to take this opportunity to express our sincere gratitude for the support and trust of our stakeholders.

Despite the increasingly difficult business environment in the future, as a company and a member of the society, we will bear in mind our responsibility to work hard for sustainable development and environmental protection. Therefore, we will maintain a business model and corporate governance focusing on quality and efficiency enhancement and of high standards to expand our business, and strive to provide customers with premium products and services, while creating an ideal and comfortable working environment for our employees. In terms of community work, apart from our commitment to active participation in charity and community activities, we will continue to optimise resource-saving management, promote environmental conservation, strive to make greater contributions to the community and the betterment of the society.

# Independent Auditor's Report



羅兵咸永道

## To the Shareholders of Nameson Holdings Limited (incorporated in the Cayman Islands with limited liability)

### OPINION

#### What we have audited

The consolidated financial statements of Nameson Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 110 to 183, which comprise:

- the consolidated balance sheet as at 31 March 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

#### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

## Independent Auditor's Report (continued)

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is relating to tax provision.

Key Audit Matter	How our audit addressed the Key Audit Matter
<b>Tax provision</b>	<p>Refer to Notes 4(a) and 12 to the consolidated financial statements.</p> <p>The Group's current income tax provision covers the current and potential obligations in relation to the respective income tax positions across different jurisdictions. The Group operates mainly in Hong Kong, the Mainland China and Vietnam which are subject to different types of cross-border arrangements, laws and regulations, government practices, interpretation of tax rules by respective tax authorities, tax concession schemes of different jurisdictions which may result in different approaches and timing of recording transactions. Significant management judgements are therefore required in assessing the income tax provisions for different potential obligations across different jurisdictions in particular on the Group's intercompany transactions and cross-border business arrangements. Where the final tax outcome is different from the amounts that were initially estimated, such differences will impact the income tax provisions in the period in which such determination is made.</p> <p>Our procedures in relation to management's assessment on tax provision included:</p> <p>We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.</p> <p>We evaluated the outcome of prior period assessment of income tax provisions to assess the effectiveness of management's estimation process.</p> <p>We evaluated management's income tax provisions assessments by examining relevant documents supporting their conclusion, which was primarily based on the factual cross-border business arrangements, recent practice of local tax authorities, market practice for local companies, tax returns and computations as well as the advice from the Group's external independent tax advisor. We evaluated the appropriateness and consistency of the basis that management used in the current income tax provision assessments.</p> <p>We discussed with management to understand their interpretation of the relevant tax rules and regulations.</p> <p>We obtained management's current income tax provision calculations and checked their accuracy by testing the underlying calculations and tracing the inputs to the relevant tax rules and regulations.</p>

Key Audit Matter	How our audit addressed the Key Audit Matter
	We obtained explanations and reviewed corroborative evidence from management, including management communications with local tax authorities and the tax advice issued by the Group's external independent tax advisor, regarding the tax treatments applied to the income tax provisions assessments.
	We evaluated management judgements with the involvement of our tax specialists based on our understanding of the relevant tax rules and regulations.
	Based on the procedures performed, we found the judgements made by management in relation to the current income tax provision were supportable by available evidence.

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## Independent Auditor's Report (continued)

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Independent Auditor's Report (continued)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is KONG Ling Yin, Raymond.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 25 June 2021

# Consolidated Income Statement

For the year ended 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	5	<b>3,848,554</b>	4,480,708
Cost of sales	7	(3,147,112)	(3,790,582)
<b>Gross profit</b>		<b>701,442</b>	690,126
Other income	6	<b>17,072</b>	14,714
Other gains, net	8	<b>31,007</b>	29,018
Selling and distribution expenses	7	(40,969)	(46,049)
General and administrative expenses	7	(342,658)	(392,347)
Impairment loss on intangible assets	18	—	(55,096)
Reversal of/(provision for) impairment losses on financial assets	7	<b>1,737</b>	(3,996)
<b>Operating profit</b>		<b>367,631</b>	236,370
Share of post-tax profit of a joint venture	28	<b>60</b>	825
Finance income	10	<b>2,861</b>	5,728
Finance expenses	10	(35,885)	(68,572)
Finance expenses, net		<b>(33,024)</b>	(62,844)
<b>Profit before income tax</b>		<b>334,667</b>	174,351
Income tax expenses	12	(36,309)	(22,817)
<b>Profit for the year</b>		<b>298,358</b>	151,534
<b>Profit for the year attributable to:</b>			
— Owners of the Company		<b>313,677</b>	157,045
— Non-controlling interests		(15,319)	(5,511)
		<b>298,358</b>	151,534
<b>Earnings per share attributable to the owners of the Company during the year</b>			
— Basic and diluted (HK cents per share)	13	<b>13.76</b>	6.89

The above consolidated income statement should be read in conjunction with the accompanying notes.

# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>Profit for the year</b>		<b>298,358</b>	151,534
<b>Other comprehensive income/(loss), net of tax:</b>			
Items that have been reclassified or may be subsequently reclassified to profit or loss			
— Currency translation differences		<b>49,867</b>	(34,225)
— Share of other comprehensive income of a joint venture	28	<b>173</b>	—
Other comprehensive income/(loss) for the year, net of tax		<b>50,040</b>	(34,225)
<b>Total comprehensive income for the year</b>		<b>348,398</b>	117,309
<b>Total comprehensive income for the year attributable to:</b>			
— Owners of the Company		<b>353,608</b>	125,193
— Non-controlling interests		<b>(5,210)</b>	(7,884)
		<b>348,398</b>	117,309

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# Consolidated Balance Sheet

As at 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	<b>1,770,817</b>	1,515,721
Right-of-use assets	16	<b>830,109</b>	996,899
Investment properties	17	<b>1,836</b>	1,918
Intangible assets	18	—	—
Interest in a joint venture	28	<b>8,297</b>	8,064
Financial assets at fair value through profit or loss	19	<b>173,113</b>	167,295
Prepayments, deposits, other receivables and other assets	22	<b>84,499</b>	94,424
Deferred income tax assets	27	<b>691</b>	608
		<b>2,869,362</b>	2,784,929
<b>Current assets</b>			
Inventories	20	<b>721,606</b>	806,451
Trade receivables	21	<b>143,866</b>	163,977
Prepayments, deposits, other receivables and other assets	22	<b>124,605</b>	340,045
Tax recoverable		<b>2,970</b>	17,835
Cash and cash equivalents	23	<b>793,201</b>	713,128
		<b>1,786,248</b>	2,041,436
<b>Total assets</b>		<b>4,655,610</b>	4,826,365
<b>EQUITY</b>			
<b>Capital and reserves attributable to the owners of the Company</b>			
Share capital	29	<b>22,794</b>	22,794
Reserves	30	<b>2,218,397</b>	1,951,166
Capital and reserves attributable to the owners of the Company		<b>2,241,191</b>	1,973,960
Non-controlling interests		<b>174,944</b>	122,654
<b>Total equity</b>		<b>2,416,135</b>	2,096,614

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

## Consolidated Balance Sheet (continued)

As at 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings	24	<b>342,967</b>	1,136,100
Lease liabilities	25	<b>112,757</b>	288,713
Provision for reinstatement costs	26(b)	<b>381</b>	659
Deferred income tax liabilities	27	<b>2,355</b>	2,562
		<b>458,460</b>	1,428,034
<b>Current liabilities</b>			
Trade and bills payables	26(a)	<b>314,378</b>	390,416
Accruals and other payables	26(b)	<b>183,798</b>	158,593
Current income tax liabilities		<b>219,224</b>	183,174
Bank borrowings	24	<b>881,317</b>	371,619
Lease liabilities	25	<b>182,298</b>	197,915
		<b>1,781,015</b>	1,301,717
<b>Total liabilities</b>		<b>2,239,475</b>	2,729,751
<b>Total equity and liabilities</b>		<b>4,655,610</b>	4,826,365
<b>Net current assets</b>		<b>5,233</b>	739,719

The financial statements on pages 110 to 183 were approved by the Board of Directors on 25 June 2021 and were signed on its behalf.

**Wong Wai Yue**

*Chairman and Executive Director*

**Man Yu Hin**

*Chief Executive Officer and Executive Director*

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Attributable to the owners of the Company				Total equity HK\$'000
	Share capital (Note 29) HK\$'000	Reserves (Note 30) HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
<b>As at 1 April 2020</b>	<b>22,794</b>	<b>1,951,166</b>	<b>1,973,960</b>	<b>122,654</b>	<b>2,096,614</b>
Profit for the year	–	313,677	313,677	(15,319)	298,358
<b>Other comprehensive income:</b>					
— Currency translation differences	–	39,758	39,758	10,109	49,867
— Share of other comprehensive income of a joint venture	–	173	173	–	173
Total comprehensive income	–	353,608	353,608	(5,210)	348,398
<b>Transactions with owners</b>					
— Capital contribution from non-controlling interests	–	–	–	57,500	57,500
<b>Share option scheme:</b>					
— Equity-settled share-based compensation (Note 31)	–	240	240	–	240
<b>Dividends (Note 14)</b>	<b>–</b>	<b>(86,617)</b>	<b>(86,617)</b>	<b>–</b>	<b>(86,617)</b>
<b>As at 31 March 2021</b>	<b>22,794</b>	<b>2,218,397</b>	<b>2,241,191</b>	<b>174,944</b>	<b>2,416,135</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## Consolidated Statement of Changes in Equity (continued)

For the year ended 31 March 2021

	Attributable to the owners of the Company			Non- controlling interests	Total equity
	Share capital (Note 29) HK\$'000	Reserves (Note 30) HK\$'000	Total HK\$'000	HK\$'000	HK\$'000
<b>As at 1 April 2019</b>	22,794	1,921,168	1,943,962	103,005	2,046,967
Profit for the year	—	157,045	157,045	(5,511)	151,534
<b>Other comprehensive loss:</b>					
— Currency translation differences	—	(31,852)	(31,852)	(2,373)	(34,225)
Total comprehensive income	—	125,193	125,193	(7,884)	117,309
<b>Transactions with owners</b>					
— Capital contribution from non-controlling interests	—	—	—	27,533	27,533
<b>Share option scheme:</b>					
— Equity-settled share-based compensation (Note 31)	—	2,819	2,819	—	2,819
<b>Dividends (Note 14)</b>	—	(98,014)	(98,014)	—	(98,014)
<b>As at 31 March 2020</b>	22,794	1,951,166	1,973,960	122,654	2,096,614

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# Consolidated Cash Flow Statement

For the year ended 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	32(a)	<b>870,695</b>	958,470
Interest paid		(35,800)	(66,422)
Income tax refunded/(paid), net		<b>14,443</b>	(15,777)
Net cash generated from operating activities		<b>849,338</b>	876,271
<b>Cash flows from investing activities</b>			
Loan to a joint venture		–	(930)
Purchases of property, plant and equipment		(278,460)	(307,912)
Acquisitions of financial assets at fair value through profit or loss		–	(5,893)
Proceeds from disposals of property, plant and equipment	32(b)	<b>5,323</b>	490
Interest received		<b>2,861</b>	5,728
Net cash used in investing activities		<b>(270,276)</b>	(308,517)
<b>Cash flows from financing activities</b>			
Proceeds from new bank borrowings	32(d)	<b>186,585</b>	1,868,979
Repayments of bank borrowings	32(d)	(470,020)	(1,871,773)
Repayments of lease liabilities	32(d)	(196,605)	(191,683)
Dividends paid		(86,617)	(98,014)
Capital contribution from non-controlling interests		<b>57,500</b>	27,533
Net cash used in financing activities		<b>(509,157)</b>	(264,958)
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		<b>69,905</b>	302,796
Exchange difference on cash and cash equivalents		<b>713,128</b>	414,844
		<b>10,168</b>	(4,512)
<b>Cash and cash equivalents at end of the year</b>	23	<b>793,201</b>	713,128

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 11 August 2015 as an exempted company with limited liability under the laws of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together the "Group") are principally engaged in the manufacturing of knitwear products. The ultimate holding company of the Company is Happy Family Assets Limited. The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 12 April 2016.

These consolidated financial statements are presented in thousands of Hong Kong dollars ("HK\$'000"), unless otherwise stated.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term referred to all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial instruments and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these financial statements, are disclosed in Note 4.

#### (a) Amended standards adopted by the Group

The Group has applied the following amended standards for the first time for the financial year beginning 1 April 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform — Phase 1
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of these amended standards did not have any significant impact on the amounts recognised in prior or current periods.

## Notes to the Consolidated Financial Statements (continued)

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***2.1 Basis of preparation** *(Continued)***(b) New and amended standards not yet adopted by the Group**

The following new and amended standards have been issued but are not effective for the Group's financial year beginning 1 April 2020 and have not been early adopted by the Group:

	<b>Effective for accounting period beginning on or after</b>
Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvement Project	Annual Improvements to HKFRSs 2018–2020 Cycle
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HKFRS 17	Insurance Contracts
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
	1 June 2020
	1 January 2021
	1 January 2022
	1 January 2022
	1 January 2022
	1 January 2023
	1 January 2023
	1 January 2023
	To be determined

The Group is in process of making an assessment of the impact of these new and amended standards upon initial application, and has concluded on a preliminary basis that the adoption of these new and amended standards is not expected to have a significant impact on the Group's results of operations or financial position.

**2.2 Subsidiaries****2.2.1 Consolidation**

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.2 Subsidiaries *(Continued)*

#### 2.2.1 Consolidation *(Continued)*

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their fair value at the acquisition date, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recognised in profit or loss.

## Notes to the Consolidated Financial Statements (continued)

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***2.2 Subsidiaries** *(Continued)***2.2.2 Separate financial statements**

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

**2.3 Joint arrangements**

Under HKFRS 11 "Joint Arrangements", investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has interest in a joint venture.

Interests in joint ventures are accounted for using the equity method (Note 2.3.1), after initially being recognised at cost in the consolidated balance sheet.

**2.3.1 Equity accounting**

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint venture are recognised as a reduction in the carrying amount of the investment.

When the Group's share of loss in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and joint venture are eliminated to the extent of the Group's interest in this entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.3 Joint arrangements *(Continued)*

#### 2.3.1 Equity accounting *(Continued)*

When the Group ceases to equity account for an investment because of a loss of joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

### 2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors and senior management of the Company led by the Group's chief executive officer that makes strategic decisions.

### 2.5 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's functional and the Group's presentation currency.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in profit or loss.

Foreign exchange gains and losses are presented in profit or loss within "Other gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities are recognised in profit or loss as part of the fair value gain or loss.

## Notes to the Consolidated Financial Statements (continued)

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***2.5 Foreign currency translation** *(Continued)***(c) Group companies**

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

**2.6 Intangible assets****(a) Goodwill**

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances, such as macroeconomic factors, indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

**(b) Technical knowhow**

Intangible assets acquired in business combination are identified and recognised separately from goodwill where they satisfy the definition of intangible assets and their fair values can be measured reliably. Such intangible assets are recognised at their fair values at the acquisition date. The technical knowhow have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the costs over their estimated useful lives of 8 years.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.7 Property, plant and equipment

Land and buildings comprise mainly manufacturing factories and offices. Leasehold land classified as right-of-use assets and all other property, plant and equipment other than construction in progress are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction in progress represents buildings and leasehold improvements in which construction work has not been completed and plant, machinery and equipment pending for installation. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, construction in progress is transferred to the appropriate categories of property, plant and equipment at cost less accumulated impairment losses, if any. No depreciation is provided for construction in progress until it is completed and available for use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	2.5% to 4%
Leasehold improvements	Over the term of the leases
Plant and machinery	6.7% to 12.5%
Furniture, fixtures and other equipment	12.5% to 20%
Motor vehicles and yacht	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains, net" in the profit or loss.

## Notes to the Consolidated Financial Statements (continued)

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***2.8 Investment property**

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group.

Investment property is initially recognised at cost and subsequently carries at cost less accumulated depreciation and accumulated impairment loss. Depreciation is calculated using a straight-line method to allocate the depreciation amounts over the estimated useful lives, as follows:

Leasehold land	the remaining lease term
Buildings	2.1%

The residual value and useful life of investment property are reviewed, and adjusted as appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amounts and are recognised in the profit or loss.

**2.9 Impairment of non-financial assets**

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are at least tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash flows from other assets or groups of assets (i.e. cash generating units or CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**2.10 Financial assets****(a) Classification**

The Group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.10 Financial assets *(Continued)*

#### **(b) Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### **(c) Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### ***Debt instruments***

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

##### **(i) Amortised cost**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other gains, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

##### **(ii) FVOCI**

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other gains, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other gains, net" and impairment expenses are presented as separate line item in the consolidated income statement.

##### **(iii) FVTPL**

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within "Other gains, net" in the period in which it arises.

Notes to the Consolidated Financial Statements (continued)

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **2.10 Financial assets (Continued)**

#### **(c) Measurement (Continued)**

##### ***Equity instruments***

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "Other gains, net" in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### **(d) Impairment**

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9 "Financial Instruments ("HKFRS 9")", which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### **2.11 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### **2.12 Derivative financial instruments**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the profit or loss.

Derivative financial assets are classified as current assets if they are expected to be realised within 12 months after the balance sheet date. Derivative financial liabilities are classified as current liabilities if they are due to be settled within 12 months after the balance sheet date.

### **2.13 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.14 Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Trade receivables are generally due for settlement within the credit period and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

### 2.15 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

### 2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 2.17 Trade and other payables

Trade and other payables are liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

## Notes to the Consolidated Financial Statements (continued)

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***2.19 Current and deferred income tax**

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attribute to temporary differences and to unused tax losses.

**(a) Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

**(b) Deferred income tax**

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.20 Employee benefits

The Group operates various post-employment schemes, including defined contribution pension plans.

#### **(a) Pension obligations**

The Group participates in various defined contribution pension plans for its employees. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory or contractual basis.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme, a defined contribution scheme managed by an independent trustee. The Group's subsidiaries operating in the PRC, Vietnam and Myanmar make contributions to staff retirement schemes managed by local government authorities in accordance with the relevant rules and regulations.

The contributions to the defined contribution pension plans are recognised as employee benefit expense when they are due. The Group has no legal or constructive obligations to pay further contributions.

#### **(b) Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

#### **(c) Employee leave entitlements**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

### 2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to anyone item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## Notes to the Consolidated Financial Statements (continued)

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***2.22 Leases**

Leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liabilities.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.22 Leases *(Continued)*

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 17). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

### 2.23 Revenue and income recognition

#### (a) Sales of goods

The Group manufactures and sells a range of knitwear products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sale of goods is based on the price specified in the sales contracts. Accumulated experience is used to estimate provision for returns.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Contract assets, if any, are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost.

Notes to the Consolidated Financial Statements (continued)

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

### **2.23 Revenue and income recognition** *(Continued)*

#### **(a) Sales of goods** *(Continued)*

Similarly, a contract liability, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. Receipts in advance collected from the customers before product delivery are recognised as contract liabilities.

#### **(b) Interest income**

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10 below. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

#### **(c) Rental income**

Rental income is recognised on a straight-line basis over the period of the lease.

### **2.24 Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

### **2.25 Government subsidies**

Subsidies from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government subsidies relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

### 3 FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest-rate risk), credit risk, liquidity risk and price risk. The Group's overall risk management programme focuses on the volatility of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group used derivative financial instruments to manage certain risk exposures occasionally.

##### (a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk primarily with respect to Renminbi ("RMB") and United States dollar ("US\$") since a considerable portion of its operating expenses are denominated in RMB while most of the sales are denominated in US\$. Since HK\$ is pegged with US\$, management is of the opinion that the foreign exchange risk arising from US\$ is insignificant. The Group did not have any outstanding forward foreign currency contracts as at 31 March 2021.

As at 31 March 2021, if HK\$ has weakened/strengthened by 5% against RMB, with all other variables held constant, the profit before tax for the year would have been approximately HK\$103,000 (2020: HK\$3,767,000) higher/lower, mainly as a result of net foreign exchange gains/losses on translation of RMB denominated trade receivables (Note 21), cash and cash equivalents (Note 23), lease liabilities (Note 25) and trade and bills payables (Note 26(a)).

##### (b) Cash flow interest-rate risk

The Group has no significant interest-bearing assets except for bank deposits, details of which are disclosed in Note 23. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings, details of which are disclosed in Note 24. Bank borrowings carried at floating rates expose the Group to cash flow interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 March 2021 if the interest rates on bank borrowings had been 50 basis points higher/lower, with all other variables held constant, the profit before tax for the year would have been approximately HK\$6,830,000 (2020: HK\$7,546,000) lower/higher, mainly as a result of higher/lower interest expense on floating-rate bank borrowings.

##### (c) Credit risk

###### (i) Risk Management

The credit risk of the Company mainly arises from trade receivables, deposits, other receivables, other financial assets at amortised cost and cash and cash equivalents. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

As at 31 March 2021, the majority of the bank balances as detailed in Note 23 are held with major financial institutions located in Hong Kong, Mainland China and Vietnam which the directors believe are of high credit quality. For deposits, other receivables and other financial assets at amortised cost, management has policies in place to monitor the exposures to these credit risks on an on-going basis. The directors do not expect any losses arising from non-performance by these counterparties.

The Group's credit sales are generally on credit terms within 90 days. Normally the Group does not require collaterals from trade debtors. As at 31 March 2021, the Group's largest debtor accounted for 9% (2020: 14%) of the Group's total trade receivables. The existing debtors have no significant default in the past.

## Notes to the Consolidated Financial Statements (continued)

**3 FINANCIAL RISK MANAGEMENT** *(Continued)***3.1 Financial risk factors** *(Continued)***(c) Credit risk** *(Continued)***(i) Risk Management** *(Continued)*

In order to minimise the credit risk, the Group has policies in place to ensure that sales of products on credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers, taking into account their financial position, past experience and other factors.

**(ii) Impairment of financial assets**

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables
- other financial assets at amortised cost

*Trade receivables*

For trade receivables, the Group measures the expected credit losses on a combination of both individual and collective basis.

Measurement of expected credit loss on individual basis

For trade receivables relating to accounts which are overdue with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment.

Measurement of expected credit loss on collective basis

The Group then applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all remaining trade receivables.

To measure the expected credit losses, trade receivables have been grouped with similar risk characteristics and, collectively or individually, assessing them for likelihood of recovery, taking into account the nature of the customer, its geographical location and its ageing category, and applying the expected credit loss rates to the respective gross carrying amounts of the receivables.

The Group categorises its trade receivables, except those individually assessed, based on shared credit risk characteristics and the days past due. The expected loss rates are based on past repayment history and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in this factor. Based on the Group's assessment, expected credit loss rate of trade receivables is close to zero.

Trade receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

As at 31 March 2021, no provision for impairment for trade receivables assessed individually was made by the Group (2020: approximately HK\$1,737,000) (Note 21) whilst the loss allowance for trade receivables assessed collectively is not material (2020: same).

### **3 FINANCIAL RISK MANAGEMENT** *(Continued)*

#### **3.1 Financial risk factors** *(Continued)*

##### **(c) Credit risk** *(Continued)*

###### **(ii) Impairment of financial assets** *(Continued)*

*Other financial assets at amortised cost*

The directors of the Company consider the probability of default, loss given default and exposure at default since initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- (a) actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' ability to meet its obligations;
- (b) actual or expected significant changes in the operating results of the counterparties;
- (c) significant changes in the expected performance and behaviour of the counterparties, including changes in the payment status of the counterparties.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded. During the year ended 31 March 2021, no impairment loss on other receivables was recognised in profit or loss (2020: HK\$2,259,000) (Note 7).

##### **(d) Liquidity risk**

The Group adopts a prudent liquidity risk management by maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements are mainly for additions of property, plant and equipment, and payments for purchases, operating expenses and dividends. The Group mainly finances its working capital requirements through internal resources and bank borrowings.

The Group monitors and maintains a level of cash and cash equivalents considered adequate by the directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The directors monitor the utilisation of bank borrowings to ensure adequate unutilised banking facilities and compliance with loan covenants.

## Notes to the Consolidated Financial Statements (continued)

**3 FINANCIAL RISK MANAGEMENT** *(Continued)***3.1 Financial risk factors** *(Continued)***(d) Liquidity risk** *(Continued)*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table represent the contractual undiscounted cash flows.

	<b>Less than</b>	<b>Between</b>	<b>Between</b>	<b>Total</b>
	<b>1 year</b> HK\$'000	<b>1 and 2 years</b> HK\$'000	<b>2 and 5 years</b> HK\$'000	
<b>At 31 March 2021</b>				
Trade and bills payables	<b>314,378</b>	–	–	<b>314,378</b>
Accruals and other payables	<b>100,741</b>	–	–	<b>100,741</b>
Long-term bank borrowings	<b>896,440</b>	<b>150,138</b>	<b>198,476</b>	<b>1,245,054</b>
Lease liabilities	<b>186,118</b>	<b>72,708</b>	<b>42,348</b>	<b>301,174</b>
	<b>1,497,677</b>	<b>222,846</b>	<b>240,824</b>	<b>1,961,347</b>
<b>At 31 March 2020</b>				
Trade and bills payables	390,416	–	–	390,416
Accruals and other payables	81,481	–	–	81,481
Short-term bank borrowings	26,785	–	–	26,785
Long-term bank borrowings	384,640	900,207	277,025	1,561,872
Lease liabilities	205,144	190,126	104,208	499,478
	1,088,466	1,090,333	381,233	2,560,032

**(e) Price risk**

The Group is exposed to price risk arising from its investments in unlisted key management insurance which are classified on the consolidated balance sheet as financial assets at fair value through profit or loss.

The fair value of the unlisted investments will fluctuate, subject to the returns which are at the discretion of the issuer of the investments. Such investments have a minimum guaranteed returns during the holding period. Management is of the opinion that the price risk arising from these investments is insignificant.

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.2 Fair value estimation

The carrying amounts of the Group's current financial assets including bank balances and cash, deposits, receivables and other assets, and current financial liabilities including payables, bank borrowings and lease liabilities approximate their fair values due to their short maturities. The carrying amounts of non-current financial liabilities including bank borrowings and lease liabilities are assumed to approximate their fair values as the amounts bear interest at commercial rates.

The carrying value of financial instruments measured at fair value at the balance sheet date are categorised among the three levels of the fair value hierarchy defined in HKFRS 13, "Fair value Measurement", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair values at 31 March 2021 and 2020.

	<b>Level 1</b> HK\$'000	<b>Level 2</b> HK\$'000	<b>Level 3</b> HK\$'000	<b>Total</b> HK\$'000
<b>As at 31 March 2021</b>				
Assets				
Financial assets at fair value through profit or loss				
— Unlisted investments	—	—	<b>173,113</b>	<b>173,113</b>
<b>As at 31 March 2020</b>				
Assets				
Financial assets at fair value through profit or loss				
— Unlisted investments	—	—	167,295	167,295

There were no transfers among levels 1, 2 and 3 and no change in valuation during the year ended 31 March 2021 (2020: same).

## Notes to the Consolidated Financial Statements (continued)

**3 FINANCIAL RISK MANAGEMENT** *(Continued)***3.2 Fair value estimation** *(Continued)***(a) Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

**(b) Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**(c) Financial instruments in level 3**

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

For the changes in level 3 instruments for the years ended 31 March 2021 and 2020, please refer to Note 19.

These unlisted investments in level 3 represent unlisted key management insurance policies. The fair value of key management insurance contracts is determined using the discounted cash flow model with reference to the expected returns from such policies which are primarily based on the financial performance and market price of the underlying portfolio taking into consideration the respective guaranteed minimum returns. The significant unobservable inputs used in the fair value measurement of the Group's key management insurance contracts are ages of life insured persons and the discount rate. While significant increase/(decrease) in the ages of life insured persons would result in a significantly higher/(lower) fair value measurement. While significant increase/(decrease) in the discount rate would result in a significantly (lower)/higher fair value measurement. Consideration is also placed on the pattern of crystallising the contracts and surrender charges, if any.

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

In order to maintain or adjust the capital structure, the Group may adjust the amount of distributions to shareholders, issue new shares or sell assets.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including lease liabilities) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet, plus net debt.

The gearing ratios at 31 March 2021 and 2020 were as follows:

	As at 31 March	
	2021 HK\$'000	2020 HK\$'000
Total borrowings	<b>1,519,339</b>	1,994,347
Less: cash and cash equivalents	<b>(793,201)</b>	(713,128)
Net debt	<b>726,138</b>	1,281,219
Total equity	<b>2,416,135</b>	2,096,614
Total capital	<b>3,142,273</b>	3,377,833
Gearing ratio	<b>23.11%</b>	37.93%

The decrease in gearing ratio from 37.93% as at 31 March 2020 to 23.11% as at 31 March 2021 was primarily due to the decrease of net debt as a result of net repayment of bank borrowings during the year and the increase of total equity as a result of profit for the year.

## Notes to the Consolidated Financial Statements (continued)

## **4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

Estimates and judgments used in preparing financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

### **(a) Current and deferred income tax provision**

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the provision for income taxes. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group's inter-company transactions and cross-border business arrangements during the ordinary course of business may impose inherent uncertainty over the Group's profit allocation and its respective tax position across different jurisdictions. The Group also recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes may be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax provision in the period in which such determination is made.

Deferred income tax assets relating to temporary differences and tax losses are recognised when management expects it is probable that future taxable profits will be available to utilise against the temporary differences or tax losses. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets in the period in which such estimates have been changed.

### **(b) Impairment of non-financial assets**

Non-financial assets including intangible assets, property, plant and equipment and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations and fair value less costs to disposal. These calculations require the use of judgements and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and value in use; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belong. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the value-in-use calculations and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the profit or loss.

Due to the recent incidents in Myanmar, the Group's future business plan of the production base in Myanmar is expected to be affected. Therefore, the directors of the Company has carried out an impairment assessment on the cash-generating unit in Myanmar. Please refer to Note 15 for the details.

#### **4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS** *(Continued)*

##### **(c) Useful lives, residual values and depreciation of property, plant and equipment and right-of-use assets**

Management of the Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment and right-of-use assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and right-of-use assets of similar nature and functions. Management will revise the depreciation where useful lives or residual values are different from those previously estimated. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation in the future periods.

#### **5 SEGMENT INFORMATION**

The Group's operating segments have been determined based on the information reported to and reviewed by the executive directors and senior management of the Company led by the Group's chief executive officer, being the Group's chief operating decision-maker ("CODM"), which are used for the purposes of assessing performance and making strategic decisions.

Prior to 1 April 2020, the Group had two operating segments namely (i) Manufacturing of knitwear products; and (ii) Manufacturing of knitted upper for footwear and knitted upper shoes.

During the year ended 31 March 2021, the Group restructured and streamlined the business of manufacturing of knitted upper for footwear and knitted upper shoes. Upon the restructuring of this segment, CODM reassessed the Group's segment reporting and decided that, for the purposes of financial reporting, manufacturing of knitted upper for footwear and knitted upper shoes segment should be combined with the manufacturing of knitwear products segment as the resources allocation, performance assessment and decision making of these two operating segments are no longer considered separately.

For the year ended 31 March 2021, the Group operates as a single operating segment. The impact of the abovementioned change in the Group's reportable operating segments for the year ended 31 March 2020 is considered retrospectively and the Group's operating segment information is restated as if the Group had been operating as a single operating segment in that period. Accordingly, the Group has not presented separate segment information.

The Board of Directors assess the performance of the operating segment based on a measure of gross profit.

Notes to the Consolidated Financial Statements (continued)

## 5 SEGMENT INFORMATION *(Continued)*

### (a) Revenue by location of goods delivery

	2021 HK\$'000	2020 HK\$'000
Japan	<b>1,307,153</b>	1,492,617
North America	<b>535,357</b>	674,888
Europe	<b>708,818</b>	731,157
Mainland China	<b>916,227</b>	1,050,383
Other countries	<b>380,999</b>	531,663
	<b>3,848,554</b>	4,480,708

### (b) Non-current assets

	2021 HK\$'000	2020 HK\$'000
Hong Kong	<b>32,797</b>	58,706
Mainland China	<b>703,166</b>	772,344
Vietnam	<b>1,635,424</b>	1,672,090
Myanmar	<b>315,874</b>	105,822
	<b>2,687,261</b>	2,608,962

The non-current asset information above is based on the location of the assets and excludes intangible assets, interest in a joint venture, financial assets at fair value through profit or loss and deferred income tax assets.

### (c) Major customers

Revenue from customers individually contributing over 10% of the total revenue of the Group is as follows:

	2021 HK\$'000	2020 HK\$'000
Customer A	<b>2,025,804</b>	2,487,093

The five largest customers accounted for approximately 73.1% (2020: 73.7%) of revenue for the year ended 31 March 2021.

### (d) Disaggregation of revenue from contracts with customers

For the years ended 31 March 2021 and 2020, the revenue of the Group was recognised at a point in time.

## Notes to the Consolidated Financial Statements (continued)

**5 SEGMENT INFORMATION** *(Continued)***(e) Liabilities related to contracts with customers**

The Group has recognised the following liabilities related to contracts with customers:

	2021 HK\$'000	2020 HK\$'000
Contract liabilities — receipts in advance (Note 26(b))	<b>18,272</b>	9,642

Contract liabilities for sales of goods contracts have increased by HK\$8,630,000 (2020: HK\$4,828,000) due to an increase in unfulfilled performance obligations as at year end date.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	2021 HK\$'000	2020 HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<b>9,509</b>	3,654

**6 OTHER INCOME**

	2021 HK\$'000	2020 HK\$'000
Rental income from investment properties	<b>720</b>	932
Rental income from properties occupied by employees	<b>520</b>	899
Government subsidies	<b>9,786</b>	4,624
Others	<b>6,046</b>	8,259
	<b>17,072</b>	14,714

Notes to the Consolidated Financial Statements (continued)

## 7 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, general and administrative expenses and (reversal of)/provision for impairment losses on financial assets are analysed as follows:

	2021 HK\$'000	2020 HK\$'000
Advertising and promotion expenses	<b>7,166</b>	7,723
Auditor's remuneration		
— audit services	<b>2,849</b>	2,849
— non-audit services	<b>651</b>	651
Depreciation		
— owned property, plant and equipment (Note 15)	<b>126,322</b>	141,005
— right-of-use assets (Note 16)	<b>89,692</b>	78,965
Depreciation of investment properties (Note 17)	<b>82</b>	96
Amortisation of technical knowhow (Note 18)	—	9,651
Employment benefit expenses (including directors' emoluments) (Note 9)	<b>871,918</b>	915,267
Raw materials and consumables used	<b>1,861,087</b>	2,130,835
Changes in inventories of finished goods and work in progress	<b>42,176</b>	190,167
Provision for impairment of inventories	<b>5,570</b>	30,796
Provision for impairment of prepayment	—	4,835
Provision for impairment of property, plant and equipment (Note 15)	<b>21,916</b>	25,197
(Reversal of)/provision for impairment of trade receivables (Note 21)	<b>(1,737)</b>	1,737
Provision for impairment of other receivables	—	2,259
Subcontracting charges	<b>169,328</b>	297,870
Agency and commission expenses	<b>1,407</b>	3,493
Transportation charges	<b>32,886</b>	35,160
Sample charges	<b>10,866</b>	22,365
Donations	<b>3,056</b>	1,394
Expense related to short-term leases (Note 16(b))	<b>764</b>	501
Utilities expenses	<b>93,626</b>	99,661
Others	<b>189,377</b>	230,497
Total cost of sales, selling and distribution expenses, general and administration expenses and (reversal of)/provision for impairment losses on financial assets	<b>3,529,002</b>	4,232,974

## Notes to the Consolidated Financial Statements (continued)

**7 EXPENSES BY NATURE** *(Continued)*

Note:

Following the outbreak of the novel coronavirus ("COVID-19") pandemic since late January 2020, the Group's management acknowledged that it was becoming extremely difficult to continue to deploy heavy resources to run its knitted uppers for footwear and knitted upper shoes business as an independent business under the current market condition and global economic environment.

Therefore, the Group has started to restructure and streamline this business and incurred costs and expenses totalling approximately HK\$86,252,000 which are directly and indirectly related to the restructuring and streamlining of this business for the year ended 31 March 2020. All of these costs and expenses are charged to the consolidated income statement for the year ended 31 March 2020, comprising impairment loss on intangible assets of HK\$55,096,000, provision for impairment of property, plant and equipment of HK\$22,864,000, provision for impairment of inventories of HK\$4,296,000, provision for impairment of trade receivables of HK\$1,737,000 and provision for impairment of other receivables of HK\$2,259,000.

For the year ended 31 March 2020, provision for impairment of property, plant and equipment of HK\$22,864,000 and provision for impairment of inventories of HK\$4,296,000 have been respectively charged to "general and administrative expenses" and "cost of sales" in the consolidated income statement. Moreover, provision for impairment of trade receivables of HK\$1,737,000 and provision for impairment of other receivables of HK\$2,259,000 have been charged to "provision for impairment losses on financial assets" in the consolidated income statement.

Upon completion of the restructuring, the knitted uppers for footwear and knitted upper shoes business has been combined. No such costs and expenses is charged to the consolidated income statement for the year ended 31 March 2021.

For the year ended 31 March 2021, reversal of impairment of trade receivables of HK\$1,737,000 have been recognised as "reversal of impairment losses on financial assets" in the consolidated income statement.

**8 OTHER GAINS, NET**

	2021 HK\$'000	2020 HK\$'000
Net foreign exchange gains	<b>15,632</b>	23,501
Net gains on financial assets at fair value through profit or loss (Note 19)	<b>5,818</b>	5,859
Net gains on disposals of property, plant and equipment (Note 32(b))	<b>1,133</b>	375
Net realised and unrealised gains/(losses) from derivative financial instruments	<b>8,213</b>	(717)
Others	<b>211</b>	–
	<b>31,007</b>	29,018

## Notes to the Consolidated Financial Statements (continued)

**9 EMPLOYMENT BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)**

Employment benefit expenses, including directors' emoluments, consist of:

	2021 HK\$'000	2020 HK\$'000
Wages, salaries, commissions, allowances, bonuses, welfare and other benefits	<b>806,506</b>	844,161
Equity-settled share-based compensation	<b>240</b>	2,819
Pension costs — defined contribution plans	<b>65,172</b>	68,287
	<b>871,918</b>	915,267

**(a) Pension costs — defined contribution plans**

The Group has no material obligation for post-retirement benefits beyond contributions to the Mandatory Provident Fund Scheme managed by an independent trustee in Hong Kong and the staff retirement schemes managed by local government authorities in accordance with the relevant rules and regulations in Mainland China, Vietnam and Myanmar.

No forfeited contribution is available to reduce the contribution payable in future year.

**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2021 include four (2020: four) directors whose emoluments are reflected in Note 35 to the consolidated financial statements. The emoluments payable to the remaining one (2020: one) individual during the year are as follows:

	2021 HK\$'000	2020 HK\$'000
Wages, salaries, commissions, allowances, welfare and other benefits	<b>1,560</b>	1,690
Pension costs — defined contribution plans	<b>18</b>	18
Bonus	<b>300</b>	360
	<b>1,878</b>	2,068

The emoluments fell within the following bands:

	2021	2020
Emolument band		
HK\$1,500,001–HK\$2,000,000	<b>1</b>	–
HK\$2,000,001–HK\$2,500,000	–	1

No directors or any of the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or compensation for loss of office.

## Notes to the Consolidated Financial Statements (continued)

**10 FINANCE EXPENSES, NET**

	2021 HK\$'000	2020 HK\$'000
<b>Finance income</b>		
Interest income from:		
— Bank deposits	<b>2,861</b>	5,728
<b>Finance expenses</b>		
Interest expenses on:		
— Bank borrowings	<b>(28,372)</b>	(60,132)
— Lease liabilities	<b>(7,513)</b>	(8,440)
	<b>(35,885)</b>	(68,572)
Finance expenses, net	<b>(33,024)</b>	(62,844)

**11 SUBSIDIARIES**

The following are details of the principal subsidiaries at 31 March 2021:

Company Name	Place of incorporation and type of legal entity	Issued/ registered and paid up capital	Principal activities/ place of operation	Effective interest held (%)		The non-controlling interest	
				2021	2020	2021	2020
<b>Directly owned:</b>							
Nameson Group Limited	The British Virgin Islands ("BVI"), limited liability company	US\$10	Investment holding, Hong Kong	<b>100%</b>	100%	—	—
<b>Indirectly owned:</b>							
Nameson Industrial Limited	Hong Kong, limited liability company	HK\$3,000,000	Manufacturing of knitwear products, Hong Kong	<b>100%</b>	100%	—	—
Kingmax Industrial Limited	Hong Kong, limited liability company	HK\$60,000	Manufacturing of knitwear products, Hong Kong	<b>100%</b>	100%	—	—
Winner Way Industrial Limited	Hong Kong, limited liability company	HK\$60,000	Manufacturing of knitwear products, Hong Kong	<b>100%</b>	100%	—	—
First Team (HK) Limited	Hong Kong, limited liability company	HK\$1	Manufacturing of knitwear products, Hong Kong	<b>100%</b>	100%	—	—

## Notes to the Consolidated Financial Statements (continued)

**11 SUBSIDIARIES** *(Continued)*

Company Name	Place of incorporation and type of legal entity	Issued/ registered and paid up capital	Principal activities/ place of operation	Effective interest held (%)		The non-controlling interest	
				The Company 2021	2020	The Company 2021	2020
<b>Indirectly owned:</b> <i>(Continued)</i>							
First Team (Vietnam) Garment Limited	Vietnam, limited liability company	US\$130,000,000	Manufacturing of knitwear products, Vietnam	100%	100%	-	-
Huizhou Nanxuan Knitting Fty. Ltd.	The People's Republic of China ("the PRC"), wholly foreign owned enterprise	US\$30,000,000	Manufacturing of knitwear products, the PRC	100%	100%	-	-
Huizhou Nanguan Knitting Fty. Ltd	The PRC, wholly foreign owned enterprise	US\$1,000,000	Manufacturing of knitwear products, the PRC	100%	100%	-	-
S. Power (Vietnam) Textile Limited	Vietnam, limited liability company	US\$8,000,000	Manufacturing of knitting fabric, Vietnam	100%	100%	-	-
Top Galaxy Enterprises Limited	BVI, limited liability company	US\$1	Investment holding, Hong Kong	100%	100%	-	-
V. Success Limited	BVI, limited liability company	US\$100	Investment holding, Hong Kong	100%	100%	-	-
V. Success (HK) Limited	Hong Kong, limited liability company	HK\$1	Manufacturing of knitted upper for footwear and knitted upper shoes, Hong Kong	100%	100%	-	-
V. Success (HZ) Knitting Limited	The PRC, wholly foreign owned enterprise	HK\$63,000,000 (2020: HK\$180,000,000)	Manufacturing of knitted upper for footwear and knitted upper shoes, the PRC	100%	100%	-	-
V. Success (Vietnam) Knitting Company Limited	Vietnam, limited liability company	US\$22,884,523	Manufacturing of knitted upper for footwear and knitted upper shoes, Vietnam	100%	100%	-	-
Hebei Nanguan Technology Co., Ltd.	The PRC, limited liability company	RMB200,000,000	Manufacturing of cashmere yarn, the PRC	55%	55%	45%	45%

## Notes to the Consolidated Financial Statements (continued)

**11 SUBSIDIARIES** *(Continued)***(a) non-controlling interests**

The total non-controlling interests as at 31 March 2021 is HK\$174,944,000 (2020: HK\$122,654,000) attributable to Hebei Nanguan Technology Co., Ltd.. During the year ended 31 March 2021, South Champion Textiles Limited, a subsidiary of the Group, and Hebei Yuteng Cashmere Products Co., Ltd., non-controlling interests, agreed to make capital contribution of HK\$70,278,000 (2020: HK\$33,647,000) and HK\$57,500,000 (2020: HK\$27,533,000) respectively to Hebei Nanguan Technology Co., Ltd. Upon the completion of capital contribution, there is no changes in equity interest in Hebei Nanguan Technology Co., Ltd. held by South Champion Textiles Limited and Hebei Yuteng Cashmere Products Co., Ltd.. No summarised financial information of Hebei Nanguan Technology Co., Ltd. is presented as the non-controlling interest is not material to the Group.

**12 INCOME TAX EXPENSES**

For the year ended 31 March 2021, Hong Kong profits tax has been provided for at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit for the year. The Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at a rate of 25% (2020: 25%) on estimated assessable profits. However, two (2020: three) of the Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at the rate of 15% after being assessed as high and new technology enterprises.

The Group's subsidiaries in Vietnam are subject to preferential business income tax ("BIT") at the rate of 17%. According to the investment certificates, the subsidiaries are subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiaries are entitled to full exemption from BIT for first 2 years from the first year of earning taxable profit and is eligible for a 50% reduction in the BIT rate in the 4 years thereafter. For one of the subsidiaries in Vietnam, the current year is within the third year of 50% reduction in the BIT rate, whereas, all the subsidiaries in Vietnam have no assessable profit for the year ended 31 March 2021, and hence no BIT is provided.

	2021 HK\$'000	2020 HK\$'000
Hong Kong profits tax	<b>14,311</b>	1,150
China corporate income tax	<b>22,290</b>	29,435
Vietnam business income tax	–	1,084
Deferred taxation (Note 27)	<b>(292)</b>	(8,852)
	<b>36,309</b>	22,817

Notes to the Consolidated Financial Statements (continued)

## 12 INCOME TAX EXPENSES *(Continued)*

The difference between the actual income tax charged to the consolidated income statement and the amounts which would result from applying the enacted tax rates to profit before income tax can be reconciled as follows:

	2021 HK\$'000	2020 HK\$'000
Profit before income tax	<b>334,667</b>	174,351
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	<b>74,280</b>	51,391
Income not subject to tax	<b>(362,973)</b>	(423,560)
Expenses not deductible for tax purposes	<b>322,872</b>	394,116
Others	<b>2,130</b>	870
 Income tax expenses	 <b>36,309</b>	 22,817

## 13 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share for the years ended 31 March 2021 and 2020 are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2021	2020
Profit attributable to the owners of the Company (HK\$'000)	<b>313,677</b>	157,045
Weighted average number of ordinary shares in issue ('000)	<b>2,279,392</b>	2,279,392
Basic earnings per share (HK cents)	<b>13.76</b>	6.89

**13 EARNINGS PER SHARE** *(Continued)***(b) Diluted**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted earnings per share for the years ended 31 March 2021 and 2020 equals basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

**14 DIVIDENDS**

At the board meeting held on 20 November 2020, the Board of Directors declared an interim dividend for the year ended 31 March 2021 of 3.8 HK cents per share amounting to a total of HK\$86,617,000 and paid on 22 December 2020.

At the board meeting held on 25 June 2021, the Board of Directors recommended a final dividend of 1.2 HK cents per share amounting to a total of HK\$27,353,000. The proposed dividends are not reflected as a dividend payable in these consolidated financial statements and will be reflected as appropriation of retained earnings for the year ending 31 March 2022.

At the board meeting held on 22 November 2019, the Board of Directors declared an interim dividend for the year ended 31 March 2020 of 4.3 HK cents per share amounting to a total of HK\$98,014,000 and paid on 24 December 2019.

At the board meeting held on 26 June 2020, the Board of Directors did not recommend the payment of final dividend for the year ended 31 March 2020.

## Notes to the Consolidated Financial Statements (continued)

**15 PROPERTY, PLANT AND EQUIPMENT**

	<b>Buildings</b> HK\$'000	<b>Leasehold improvements</b> HK\$'000	<b>Plant and machinery</b> HK\$'000	<b>Furniture, fixtures and other equipment</b> HK\$'000	<b>Motor vehicles and yacht</b> HK\$'000	<b>Construction in progress</b> HK\$'000	<b>Total</b> HK\$'000
<b>At 1 April 2019</b>							
Cost	858,632	33,853	1,418,853	48,109	63,222	128,302	2,550,971
Accumulated depreciation	(327,724)	(26,564)	(1,083,018)	(31,374)	(34,988)	–	(1,503,668)
Net book amount	530,908	7,289	335,835	16,735	28,234	128,302	1,047,303
<b>Year ended 31 March 2020</b>							
Opening net book amount	530,908	7,289	335,835	16,735	28,234	128,302	1,047,303
Additions	13,808	309	137,907	18,213	3,857	148,186	322,280
Disposals	–	–	–	(10)	(105)	–	(115)
Transfers	23,067	–	55,134	–	–	(78,201)	–
Reclassification (Note 16)	–	–	328,184	–	–	–	328,184
Exchange difference	(5,574)	(176)	(9,334)	(112)	(10)	(523)	(15,729)
Depreciation (Note 7)	(28,160)	(636)	(97,300)	(8,875)	(6,034)	–	(141,005)
Impairment (Note 7)	–	–	(20,265)	(2,599)	–	(2,333)	(25,197)
Closing net book amount	534,049	6,786	730,161	23,352	25,942	195,431	1,515,721
<b>At 31 March 2020</b>							
Cost	889,933	33,986	2,036,169	59,313	64,466	195,431	3,279,298
Accumulated depreciation and impairment	(355,884)	(27,200)	(1,306,008)	(35,961)	(38,524)	–	(1,763,577)
Net book amount	534,049	6,786	730,161	23,352	25,942	195,431	1,515,721
<b>Year ended 31 March 2021</b>							
Opening net book amount	<b>534,049</b>	<b>6,786</b>	<b>730,161</b>	<b>23,352</b>	<b>25,942</b>	<b>195,431</b>	<b>1,515,721</b>
Additions	–	144	84,710	12,452	2,800	186,702	286,808
Disposals	–	(191)	(3,138)	(326)	(535)	–	(4,190)
Transfers	–	–	2,885	3,167	261	(6,313)	–
Reclassification (Note 16)	–	–	88,361	–	–	–	88,361
Exchange difference	10,840	340	20,517	158	19	481	32,355
Depreciation (Note 7)	(28,596)	(637)	(82,378)	(9,398)	(5,313)	–	(126,322)
Impairment (Note 7)	–	–	(21,916)	–	–	–	(21,916)
Closing net book amount	<b>516,293</b>	<b>6,442</b>	<b>819,202</b>	<b>29,405</b>	<b>23,174</b>	<b>376,301</b>	<b>1,770,817</b>
<b>At 31 March 2021</b>							
Cost	<b>861,952</b>	<b>33,884</b>	<b>2,110,036</b>	<b>76,846</b>	<b>65,113</b>	<b>376,301</b>	<b>3,524,132</b>
Accumulated depreciation and impairment	(345,659)	(27,442)	(1,290,834)	(47,441)	(41,939)	–	(1,753,315)
Net book amount	<b>516,293</b>	<b>6,442</b>	<b>819,202</b>	<b>29,405</b>	<b>23,174</b>	<b>376,301</b>	<b>1,770,817</b>

## Notes to the Consolidated Financial Statements (continued)

**15 PROPERTY, PLANT AND EQUIPMENT** *(Continued)*

	2021 HK\$'000	2020 HK\$'000
Depreciation charged in consolidated income statement:		
— Cost of sales	<b>106,110</b>	115,383
— General and administrative expenses	<b>20,212</b>	25,622
	<b>126,322</b>	141,005

During the year ended 31 March 2021, the Group assumed to have the ownership of right-of-use assets with an aggregate net book value of HK\$88,361,000 (2020: HK\$328,184,000) at the time of the expiry of leases in accordance with the terms of leases.

Buildings are primarily situated in Mainland China and Vietnam.

During the year ended 31 March 2021, management reviewed the carrying amount of property, plant and equipment and impairment losses of HK\$21,916,000 (2020: HK\$25,197,000) had been identified and recognised in the consolidated income statement. The impairment of HK\$21,916,000 for the year ended 31 March 2021 was made for certain machineries which are no longer fit into the Group's overall production strategy while the impairment of HK\$22,864,000 for the year ended 31 March 2020 was related to the restructuring of V. Success Group.

As at 31 March 2021, the Group had certain property, plant and equipment, right-of-use assets and prepayment for property, plant and equipment in Myanmar with carrying amounts of approximately HK\$258,568,000, HK\$29,237,000 and 28,069,000 respectively which have been allocated to the cash-generating unit (the "Myanmar CGU") for impairment testing. Due to the recent incidents in Myanmar, the construction progress of the production base in Myanmar is expected to be affected. The directors of the Company have carried out an impairment assessment of these assets by using value-in-use method. The recoverable amount is determined by using cash flow projection based on the financial budgets covering a seven-year period, and a pre-tax discount rate of 17.4% per annum. The directors considered the seven-year period of the financial budgets are covered in cash flow projection as the production base in Myanmar is still under construction which accords with the Group's future business plans.

The directors of the Company plans to allocate part of the Group's knitwear sales orders to Myanmar for production and the financial model assumes the Group's revenue of knitwear sales will remain at similar level compared with current financial year for financial year ending 31 March 2022; have an annual growth rate of 7.0% for financial years ending 31 March 2023 and 31 March 2024; have an annual growth rate of 2.5% for financial years ending 31 March 2025 to 31 March 2026 and have an annual growth rate of 1.25% for financial years ending 31 March 2027 to 31 March 2028. The terminal growth rate is assumed to be 3.0% per annum beyond the seven-year period, taking into account of long term gross domestic product growth, inflation rate and other relevant economic factors.

The directors assessed the recoverable amount of the Myanmar CGU with reference to the valuation performed by Vincorn Consulting and Appraisal Limited, an independent professional valuer. As at 31 March 2021, the recoverable amount of the Myanmar CGU determined based on the value-in-use calculations was higher than the carrying amount of the Myanmar CGU, and accordingly, no provision for impairment of property, plant and equipment, right-of-use assets and prepayment for property, plant and equipment has been made for the year ended 31 March 2021.

Notes to the Consolidated Financial Statements (continued)

## 16 RIGHT-OF-USE ASSETS

### (a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to right-of-use assets:

	Plant and machinery HK\$'000	Leased properties HK\$'000	Land use rights (Note i) HK\$'000	Total HK\$'000
<b>Year ended 31 March 2020</b>				
Opening net book amount	1,040,560	43,860	108,976	1,193,396
Additions	197,076	685	10,064	207,825
Lease modification	–	1,283	4,195	5,478
Reclassification (Note 15)	(328,184)	–	–	(328,184)
Depreciation (Note 7)	(58,749)	(19,075)	(1,141)	(78,965)
Exchange differences	(1,476)	(771)	(404)	(2,651)
Closing net book amount at 31 March 2020	849,227	25,982	121,690	996,899
<b>Year ended 31 March 2021</b>				
Opening net book amount at 1 April 2020	<b>849,227</b>	<b>25,982</b>	<b>121,690</b>	<b>996,899</b>
Additions	–	5,074	–	5,074
Lease modification	–	(973)	(642)	(1,615)
Reclassification (Note 15)	(88,361)	–	–	(88,361)
Depreciation (Note 7)	(72,250)	(16,297)	(1,145)	(89,692)
Exchange differences	6,085	907	812	7,804
Closing net book amount at 31 March 2021	<b>694,701</b>	<b>14,693</b>	<b>120,715</b>	<b>830,109</b>

Notes:

- (i) As at 31 March 2021 and 2020, the Group's interests in land use rights represent prepaid operating lease payments and are located in the PRC, Vietnam and Myanmar.

## 16 RIGHT-OF-USE ASSETS *(Continued)*

### (b) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2021 HK\$'000	2020 HK\$'000
Depreciation of right-of-use assets (Note 7)	<b>89,692</b>	78,965
Interest expense (Note 10)	<b>7,513</b>	8,440
Expense related to short-term leases (Note 7)	<b>764</b>	501
	<b>97,969</b>	87,906

The total cash outflow for leases for the year ended 31 March 2021 was HK\$204,882,000 (2020: HK\$200,624,000).

### (c) The Group's leasing activities and how these are accounted for

#### As a lessee

The Group leases various land, properties, plant and machinery. Rental contracts are typically made for fixed periods of 1 to 50 years, but may have extension and termination options as described in (d) below.

### (d) Extension and termination options

Extension and termination options are included in a number of land leases and property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

## 17 INVESTMENT PROPERTIES

	2021 HK\$'000	2020 HK\$'000
At cost		
Beginning net book amount of the year	<b>1,918</b>	2,014
Depreciation (Note 7)	<b>(82)</b>	(96)
End of the year	<b>1,836</b>	1,918
Cost		
Accumulated depreciation	<b>(2,804)</b>	(2,722)
Net book amount	<b>1,836</b>	1,918

## Notes to the Consolidated Financial Statements (continued)

**17 INVESTMENT PROPERTIES** (*Continued*)

The fair values of the Group's investment properties as at 31 March 2021 were HK\$24,000,000 (2020: HK\$24,500,000), as determined by an independent professional valuation firm, RHL Appraisal Limited, on an open market basis.

Investment properties are situated in Hong Kong.

Depreciation of approximately HK\$82,000 (2020: HK\$96,000) for the year ended 31 March 2021 has been included in "general and administrative expenses".

Outgoings in respect of the investment properties amounted to HK\$97,000 (2020: HK\$168,000) for the year ended 31 March 2021.

The investment properties are leased to tenants under operating leases with rentals payable monthly.

For minimum lease payments receivable on leases of investment properties, refer to Note 33(a).

**18 INTANGIBLE ASSETS**

	<b>Goodwill</b> HK\$'000	<b>Technical knowhow</b> HK\$'000	<b>Total</b> HK\$'000
<b>At 1 April 2019</b>			
Cost	493,910	110,208	604,118
Accumulated amortisation	–	(17,794)	(17,794)
Accumulated impairment loss	(493,910)	(27,667)	(521,577)
Net book amount	–	64,747	64,747
<b>Year ended 31 March 2020</b>			
Opening net book amount	–	64,747	64,747
Amortisation charge (Note 7)	–	(9,651)	(9,651)
Impairment loss	–	(55,096)	(55,096)
Closing net book amount	–	–	–
<b>At 31 March 2020 and 2021</b>			
Cost	<b>493,910</b>	<b>110,208</b>	<b>604,118</b>
Accumulated amortisation	–	(27,445)	(27,445)
Accumulated impairment loss	(493,910)	(82,763)	(576,673)
Net book amount	–	–	–

For the year ended 31 March 2021, no amortisation expenses (2020: HK\$9,651,000) has been charged to "general and administrative expenses" in the consolidated income statement.

## Notes to the Consolidated Financial Statements (continued)

**18 INTANGIBLE ASSETS** *(Continued)***Impairment test of intangible assets**

Goodwill and technical knowhow were acquired through the acquisition of V. Success Limited ("V. Success") and its subsidiaries ("V. Success Group") and have been allocated to the cash-generating unit (the "CGU") for impairment testing. As at 31 March 2020, the recoverable amount of the CGU is determined based on a value-in-use calculation which uses the cash flow projection based on financial budgets of V. Success Group covering a five-year period, and a pre-tax discount rate of 15.8% per annum.

As at 31 March 2020, the financial model assumes a decline of 51.6% in revenue for the financial year ending 31 March 2021 and annual growth rate of 5.5% in the following four years. The terminal growth rate is assumed to be 3.0% per annum beyond the five-year period, taking into account of long term gross domestic product growth, inflation rate and other relevant economic factors.

The directors of the Company assessed the recoverable amount of the CGU with reference to the valuation performed by Vincorn Consulting and Appraisal Limited, an independent professional valuer. As at 31 March 2020, the recoverable amount of the CGU determined based on the value-in-use calculations was lower than the carrying amount of the CGU, and resulting in a provision for impairment of technical knowhow of HK\$55,096,000 for the year ended 31 March 2020.

As at 31 March 2020, if the sales growth rate is increased by 1% or the pre-tax discount rate used is decreased by 1%, the total provision for impairment of technical knowhow would be reduced by HK\$11,000,000 and HK\$9,000,000 respectively.

**19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2021 HK\$'000	2020 HK\$'000
Financial assets at fair value through profit or loss		
— Unlisted investments, at fair value (Note)	<b>173,113</b>	167,295

Note:

Unlisted investments represent unlisted key management insurance contracts which are debt instruments classified as financial assets at FVTPL. Minimum returns are guaranteed under these contracts with upside variable returns and the respective fixed and determinable returns are recognised as part of "Other gains, net". The portion allocated as insurance premium is recognised as prepayment and is amortised to the consolidated income statement based on the estimated years that the Group intends to hold such contracts.

Notes to the Consolidated Financial Statements (continued)

## 19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Certain bank borrowings of the Group are secured by financial assets at FVTPL with a total carrying amount of HK\$6,318,000 (2020: HK\$6,100,000) as at 31 March 2021 (Note 24).

Movement of the financial assets at FVTPL is as follows:

	HK\$'000
Opening balance at 1 April 2019	155,543
Additions	5,893
Fair value gains on unlisted investments at FVTPL recognised in other gains, net (Note 8)	5,859
 Closing balance at 31 March 2020	 167,295
Fair value gains on unlisted investments at FVTPL recognised in other gains, net (Note 8)	5,818
 Closing balance at 31 March 2021	 173,113

Information about the Group's exposure to price risk is provided in Note 3.1(e). For information about the methods and assumptions used in determining fair value, refer to Note 3.2.

Financial assets at fair value through profit or loss are denominated in US\$.

## 20 INVENTORIES

	2021 HK\$'000	2020 HK\$'000
Raw materials	<b>226,333</b>	238,376
Work-in-progress	<b>359,960</b>	458,022
Finished goods	<b>135,313</b>	110,053
 	 <b>721,606</b>	 806,451

The cost of inventories recognised as expense and included in "cost of sales" in the consolidated income statement amounted to HK\$1,908,833,000 (2020: HK\$2,351,798,000) for the year ended 31 March 2021.

## Notes to the Consolidated Financial Statements (continued)

**21 TRADE RECEIVABLES**

	2021 HK\$'000	2020 HK\$'000
Trade receivables	<b>143,866</b>	165,714
Less: Provision for impairment of trade receivables	–	(1,737)
	<b>143,866</b>	163,977

The carrying amounts of trade receivables are denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
US\$	<b>78,812</b>	81,919
RMB	<b>65,054</b>	82,058
	<b>143,866</b>	163,977

The credit periods granted by the Group to its customers generally range from 0 to 90 days. As at 31 March 2021 and 2020, the ageing analysis of the trade receivables based on invoice date is as follows:

	2021 HK\$'000	2020 HK\$'000
Up to three months	<b>109,788</b>	143,478
Three to six months	<b>23,799</b>	13,082
Over six months	<b>10,279</b>	9,154
	<b>143,866</b>	165,714

Movements of impairment of trade receivables are as follows:

	2021 HK\$'000	2020 HK\$'000
As at 1 April	<b>1,737</b>	–
(Reversal of)/provision for impairment of trade receivables (Note 7)	<b>(1,737)</b>	1,737
As at 31 March	–	1,737

Information about the impairment of trade receivables and the Group's exposure to credit risk can be found in Note 3.1(c).

The maximum exposure to credit risk at the reporting date is the fair value of receivables mentioned above. The Group did not hold any collateral as security.

Notes to the Consolidated Financial Statements (continued)

## 22 PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 HK\$'000	2020 HK\$'000
Prepayments for property, plant and equipment	<b>64,762</b>	70,880
Prepayments for subcontracting charges	<b>7,281</b>	19,502
Prepayments to raw materials suppliers (Note)	<b>42,945</b>	264,768
Other prepayments	<b>19,881</b>	13,460
Prepaid insurance premium for the key management insurance	<b>25,573</b>	26,729
	<b>160,442</b>	395,339
Less: Provision for impairment of prepayments	<b>(4,835)</b>	(4,835)
	<b>155,607</b>	390,504
Deposits (Note)	<b>3,781</b>	3,123
Other receivables	<b>48,787</b>	41,421
Other assets	<b>1,680</b>	1,680
Less: Provision for impairment of other receivables	<b>(751)</b>	(2,259)
	<b>53,497</b>	43,965
	<b>209,104</b>	434,469
Less: Non-current portion	<b>(84,499)</b>	(94,424)
Current portion	<b>124,605</b>	340,045

Note: As at 31 March 2021, prepayments, deposits, other receivables and other assets include prepayments for raw materials to a related company of approximately HK\$36,330,000 (2020: HK\$263,889,000) and deposit to a related company of approximately HK\$118,000 (2020: nil) respectively (Note 34(b)).

Movements in the Group's provision for impairment of prepayments and other receivables are as follows:

	2021 HK\$'000	2020 HK\$'000
As at 1 April	<b>7,094</b>	–
Provision for impairment (Note 7)	<b>–</b>	7,094
Written off	<b>(1,508)</b>	–
As at 31 March	<b>5,586</b>	7,094

## Notes to the Consolidated Financial Statements (continued)

**23 CASH AND CASH EQUIVALENTS**

	2021 HK\$'000	2020 HK\$'000
Cash and cash equivalents	<b>793,201</b>	713,128

Cash and cash equivalents are denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
US\$	<b>398,001</b>	405,623
HK\$	<b>182,348</b>	138,659
RMB	<b>199,614</b>	157,676
Vietnamese Dong ("VND")	<b>8,124</b>	7,988
Others	<b>5,114</b>	3,182
	<b>793,201</b>	713,128

**24 BANK BORROWINGS**

	2021 HK\$'000	2020 HK\$'000
<b>Current</b>		
Short-term bank borrowings, unsecured	–	26,215
Portion of long-term bank borrowings, secured, due for repayment within one year which contain a repayment on demand clause	<b>1,033</b>	1,033
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause	<b>2,151</b>	3,183
Portion of long-term bank borrowings, unsecured, due for repayment within one year	<b>878,133</b>	341,188
	<b>881,317</b>	371,619
<b>Non-current</b>		
Bank borrowings, unsecured	<b>342,967</b>	1,136,100
Total bank borrowings	<b>1,224,284</b>	1,507,719

The weighted average effective interest rate as at 31 March 2021 is 1.57% (2020: 2.94%).

Notes to the Consolidated Financial Statements (continued)

## 24 BANK BORROWINGS *(Continued)*

The bank borrowings are due for repayment as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	<b>879,166</b>	368,436
Between one and two years	<b>147,333</b>	874,166
Between two and five years	<b>197,785</b>	265,117
<b>1,224,284</b>		1,507,719

The above amounts due are based on the schedule repayment dates set out in the relevant agreements and ignore the effect of any repayment on demand clause.

The carrying amounts of bank borrowings approximate their fair values and are denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
HK\$	<b>1,221,100</b>	1,492,174
US\$	<b>3,184</b>	15,545
<b>1,224,284</b>		1,507,719

The following borrowings were drawn by the Group under secured banking facilities:

	2021 HK\$'000	2020 HK\$'000
Bank borrowings	<b>3,184</b>	4,216

As at 31 March 2021, the Group's certain bank borrowings are secured by financial assets at FVTPL with a total carrying amount of HK\$6,318,000 (2020: HK\$6,100,000) (Note 19).

## Notes to the Consolidated Financial Statements (continued)

**25 LEASE LIABILITIES**

The Group's lease liabilities are analysed as follows:

	2021 HK\$'000	2020 HK\$'000
<b>Current</b>		
Lease liabilities due for repayment within one year	<b>182,298</b>	197,915
<b>Non-current</b>		
Lease liabilities due for repayment after one year:		
Between one and two years	<b>70,811</b>	186,211
Between two and five years	<b>41,946</b>	102,502
	<b>112,757</b>	288,713
Total lease liabilities	<b>295,055</b>	486,628

The weighted average effective interest rate as at 31 March 2021 is 1.78% (2020: 1.79%).

The lease liabilities are due for repayment as follows:

	2021 HK\$'000	2020 HK\$'000
Gross lease liabilities — minimum lease payments:		
Within one year	<b>186,118</b>	205,144
Between one and two years	<b>72,708</b>	190,126
Between two and five years	<b>42,348</b>	104,208
	<b>301,174</b>	499,478
Future finance charges on leases	<b>(6,119)</b>	(12,850)
Present value of lease liabilities	<b>295,055</b>	486,628

As at 31 March 2021, the carrying amounts of lease liabilities are denominated in US\$, RMB and HK\$ (2020: US\$, RMB, HK\$ and VND).

Notes to the Consolidated Financial Statements (continued)

## 26 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

### (a) Trade and bills payables

Trade and bills payables are denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
US\$	<b>216,063</b>	191,381
HK\$	<b>31,071</b>	20,913
RMB	<b>67,244</b>	178,104
Others	-	18
	<b>314,378</b>	390,416

The carrying amounts of the trade and bills payables approximate their fair values.

Note: As at 31 March 2021, trade and bills payables includes trade payables to related companies of approximately HK\$7,640,000 (2020: HK\$134,688,000) (Note 34(b)).

The ageing analysis of the trade and bills payables based on invoice date is as follows:

	2021 HK\$'000	2020 HK\$'000
Within one month	<b>151,750</b>	211,392
One to two months	<b>55,594</b>	77,134
Two to three months	<b>65,374</b>	8,640
Over three months	<b>41,660</b>	93,250
	<b>314,378</b>	390,416

## Notes to the Consolidated Financial Statements (continued)

**26 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES** *(Continued)*

## (b) Accruals and other payables

	2021 HK\$'000	2020 HK\$'000
Accrued subcontracting charges	<b>3,839</b>	10,145
Accrued salaries	<b>58,581</b>	54,891
Contract liabilities (Note 5(e))	<b>18,272</b>	9,642
Other accrued expenses	<b>24,403</b>	24,955
Other payables	<b>78,703</b>	58,960
Provision for reinstatement costs	<b>381</b>	659
	<b>184,179</b>	159,252
Less: Non-current portion	<b>(381)</b>	(659)
	<b>183,798</b>	158,593

**27 DEFERRED INCOME TAX**

The analysis of deferred tax assets/(liabilities) is as follows:

	2021 HK\$'000	2020 HK\$'000
Deferred tax assets:		
— Deferred tax assets to be recovered after more than 12 months	<b>691</b>	608
	<b>691</b>	608
Deferred tax liabilities:		
— Deferred tax liabilities to be recovered after more than 12 months	<b>(2,355)</b>	(2,562)
	<b>(2,355)</b>	(2,562)
Deferred tax liabilities, net	<b>(1,664)</b>	(1,954)

Notes to the Consolidated Financial Statements (continued)

## 27 DEFERRED INCOME TAX *(Continued)*

The net movement on the deferred income tax account is as follow:

	2021 HK\$'000	2020 HK\$'000
As at 1 April	<b>(1,954)</b>	(10,807)
Credited to consolidated income statement (Note 12)	<b>292</b>	8,852
Exchange difference	<b>(2)</b>	1
 As at 31 March	 <b>(1,664)</b>	 (1,954)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax (liabilities)/assets:

	<b>Accelerated tax depreciation</b> HK\$'000	<b>Recognition of technical knowhow</b> HK\$'000	<b>Right-of-use assets</b> HK\$'000	<b>Total</b> HK\$'000
As at 1 April 2019	(2,786)	(8,578)	(5,537)	(16,901)
Credited/(charged) to consolidated income statement	224	8,578	(4,905)	3,897
Exchange difference	–	–	90	90
 As at 31 March 2020	 <b>(2,562)</b>	 –	 <b>(10,352)</b>	 <b>(12,914)</b>
Credited to consolidated income statement	207	–	1,195	1,402
Exchange difference	–	–	(137)	(137)
 As at 31 March 2021	 <b>(2,355)</b>	 –	 <b>(9,294)</b>	 <b>(11,649)</b>

## Notes to the Consolidated Financial Statements (continued)

**27 DEFERRED INCOME TAX** *(Continued)*

	<b>Decelerated tax depreciation</b> HK\$'000	<b>Lease liabilities</b> HK\$'000	<b>Total</b> HK\$'000
As at 1 April 2019	557	5,537	6,094
(Charged)/credited to consolidated income statement	(43)	4,998	4,955
Exchange difference	–	(89)	(89)
As at 31 March 2020	<b>514</b>	<b>10,446</b>	<b>10,960</b>
Credited/(charged) to consolidated income statement	<b>8</b>	<b>(1,118)</b>	<b>(1,110)</b>
Exchange difference	–	<b>135</b>	<b>135</b>
As at 31 March 2021	<b>522</b>	<b>9,463</b>	<b>9,985</b>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK\$20,247,000 (2020: HK\$14,278,000) in respect of accumulated tax losses amounting to HK\$96,485,000 (2020: HK\$75,969,000) as at 31 March 2021, that can be carried forward against future taxable income. As at 31 March 2021, the accumulated tax losses amounting to HK\$76,692,000 (2020: HK\$64,464,000) will expire in five years. There is no expiry period for the other tax losses.

As at 31 March 2021, deferred income tax liabilities of approximately HK\$2,131,000 (2020: HK\$2,130,000) have not been recognised for the withholding taxation that would be payable on the unremitted earnings of subsidiaries in Mainland China of approximately HK\$42,613,000 (2020: HK\$42,604,000), as the management considered that the timing of the reversal of the related temporary differences can be controlled and the related temporary difference will not be reversed in the foreseeable future.

**28 INTEREST IN A JOINT VENTURE**

Movements in the investment in a joint venture are as follows:

	<b>2021</b> HK\$'000	2020 HK\$'000
Beginning of the year	<b>8,064</b>	6,309
Loan to a joint venture	–	930
Share of post-tax profit	<b>60</b>	825
Share of other comprehensive income	<b>173</b>	–
	<b>8,297</b>	8,064

Notes to the Consolidated Financial Statements (continued)

## 28 INTEREST IN A JOINT VENTURE *(Continued)*

Nature of interest in a joint venture as at 31 March 2021 and 2020:

Name of joint venture	Place of incorporation	Place of operation	Equity interest attributable to the Group		Proportion of voting power held		Principal activities
			2021	2020	2021	2020	
Directly held:							
SML & FT (HK) Limited	Hong Kong	Hong Kong	30%	30%	50%	50%	Investment holding
Indirectly held:							
SML & FT (Vietnam) Limited	Vietnam	Vietnam	30%	30%	50%	50%	Manufacturing of labels and hang tags

### Summarised financial information for joint venture

Set out below is the summarised financial information for SML & FT (HK) Limited and its subsidiary which is accounted for using the equity method.

#### Summarised balance sheet

	2021 HK\$'000	2020 HK\$'000
<b>Current</b>		
Total current assets	15,181	12,695
Total current liabilities	(22,944)	(22,602)
<b>Non-current</b>		
Total non-current assets	8,919	10,287
Net assets	1,156	380

#### Summarised statement of comprehensive income

	2021 HK\$'000	2020 HK\$'000
Revenue	11,515	13,143
Profit for the year	200	2,749
Other comprehensive income	577	-
Total comprehensive income	777	2,749

## Notes to the Consolidated Financial Statements (continued)

**28 INTEREST IN A JOINT VENTURE** *(Continued)*

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture

	2021 HK\$'000	2020 HK\$'000
<b>Reconciled to the Group's interest in the joint venture</b>		
Gross amounts of net assets of the joint venture	<b>1,156</b>	380
Group's effective interest	<b>30%</b>	30%
Loan to a joint venture (Note)	<b>347</b>	114
	<b>7,950</b>	7,950
Group's share of interest in the joint venture	<b>8,297</b>	8,064

Note: Loan to a joint venture represents a loan advanced which is unsecured, interest-free and to be repaid on a date mutually agreed between the Company and the joint venture.

**29 SHARE CAPITAL**

	2021 Number of shares	2021 Nominal value HK\$	2020	
			Number of shares	Nominal value HK\$
Authorised:				
Ordinary shares at HK\$0.01 each as at 31 March	<b>5,000,000,000</b>	<b>50,000,000</b>	5,000,000,000	50,000,000
	2021 Number of shares	2021 Nominal value HK\$	2020	
			Number of shares	Nominal value HK\$
Issued and fully paid:				
Ordinary shares of HK\$0.01 each as at 1 April and 31 March	<b>2,279,392,000</b>	<b>22,793,920</b>	2,279,392,000	22,793,920

## Notes to the Consolidated Financial Statements (continued)

**30 RESERVES**

	Attributable to the owners of the Company				
	Other reserves (Note) HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>As at 1 April 2020</b>	<b>1,586,311</b>	<b>54,864</b>	<b>19,412</b>	<b>290,579</b>	<b>1,951,166</b>
Profit for the year	—	—	—	313,677	313,677
<b>Other comprehensive income:</b>					
— Currency translation difference	—	39,758	—	—	39,758
— Share of other comprehensive income of a joint venture	—	173	—	—	173
Total comprehensive income	—	39,931	—	313,677	353,608
<b>Transactions with owners</b>					
<b>Share option scheme:</b>					
Equity-settled share-based compensation (Note 31)	—	—	240	—	240
Transfer of reserve upon the forfeiture	—	—	(140)	140	—
<b>Dividends (Note 14)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(86,617)</b>	<b>(86,617)</b>
	—	—	100	(86,477)	(86,377)
<b>As at 31 March 2021</b>	<b>1,586,311</b>	<b>94,795</b>	<b>19,512</b>	<b>517,779</b>	<b>2,218,397</b>
<b>As at 1 April 2019</b>	1,586,311	86,716	16,593	231,548	1,921,168
Profit for the year	—	—	—	157,045	157,045
<b>Other comprehensive loss:</b>					
— Currency translation difference	—	(31,852)	—	—	(31,852)
Total comprehensive income	—	(31,852)	—	157,045	125,193
<b>Transactions with owners</b>					
<b>Share option scheme:</b>					
Equity-settled share-based compensation (Note 31)	—	—	2,819	—	2,819
<b>Dividends (Note 14)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(98,014)</b>	<b>(98,014)</b>
	—	—	2,819	(98,014)	(95,195)
<b>As at 31 March 2020</b>	<b>1,586,311</b>	<b>54,864</b>	<b>19,412</b>	<b>290,579</b>	<b>1,951,166</b>

Note: Other reserves represent mainly the share premium, and fair value of the consideration given in excess of the paid-in capital of the companies comprising the Group in relation to the Company's reorganisation.

## Notes to the Consolidated Financial Statements (continued)

## 31 SHARE-BASED PAYMENTS

Movements of the share options under the share option scheme during the year ended 31 March 2021 are as follows:

Date of Grant	Exercise Price HK\$	Exercise Period	Number of share options					
			As at 1 April 2020	Granted during the year	Exercised during the year	Reallocated during the year	Cancelled during the year	As at 31 March 2021
<b>Directors</b>								
29 August 2016	1.394	29 August 2017 to 28 August 2026	5,500,000	-	-	-	-	5,500,000
28 August 2017	1.462	28 August 2018 to 27 August 2027	11,000,000	-	-	-	-	11,000,000
20 April 2018	1.700	20 April 2019 to 19 April 2028	1,500,000	-	-	-	-	1,500,000
<b>Other employees of the Group</b>								
29 August 2016	1.394	29 August 2017 to 28 August 2026	14,704,000	-	-	-	(200,000)	14,504,000
28 August 2017	1.462	28 August 2018 to 27 August 2027	36,300,000	-	-	-	(1,000,000)	35,300,000
Total			69,004,000	-	-	-	(1,200,000)	67,804,000

Movements of the share options under the share option scheme during the year ended 31 March 2020 are as follows:

Date of Grant	Exercise Price HK\$	Exercise Period	Number of share options					
			As at 1 April 2019	Granted during the year	Exercised during the year	Reallocated during the year	Cancelled during the year	As at 31 March 2020
<b>Directors</b>								
29 August 2016	1.394	29 August 2017 to 28 August 2026	7,000,000	-	-	(1,500,000)	-	5,500,000
28 August 2017	1.462	28 August 2018 to 27 August 2027	11,000,000	-	-	-	-	11,000,000
20 April 2018	1.700	20 April 2019 to 19 April 2028	1,500,000	-	-	-	-	1,500,000
<b>Other employees of the Group</b>								
29 August 2016	1.394	29 August 2017 to 28 August 2026	13,856,000	-	-	1,500,000	(652,000)	14,704,000
28 August 2017	1.462	28 August 2018 to 27 August 2027	40,000,000	-	-	-	(3,700,000)	36,300,000
Total			73,356,000	-	-	-	(4,352,000)	69,004,000

## Notes to the Consolidated Financial Statements (continued)

**31 SHARE-BASED PAYMENTS** *(Continued)*

The share options granted to the above directors and other employees of the Group shall be vested in three equal tranches. The vesting periods of the share options are between the dates of grant and the dates of commencement of exercise periods. The vesting periods and exercise periods of the share options are as follows:

<b>Share options</b>	<b>Vesting period</b>	<b>Exercise period</b>
<i>Granted on 29 August 2016</i>		
9,366,666 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	29 August 2016 to 28 August 2017	29 August 2017 to 28 August 2026
9,366,666 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	29 August 2016 to 28 August 2018	29 August 2018 to 28 August 2026
9,366,668 share options	29 August 2016 to 28 August 2019	29 August 2019 to 28 August 2026
<i>Granted on 28 August 2017</i>		
19,933,333 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	28 August 2017 to 27 August 2018	28 August 2018 to 27 August 2027
19,933,333 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	28 August 2017 to 27 August 2019	28 August 2019 to 27 August 2027
19,933,334 share options	28 August 2017 to 27 August 2020	28 August 2020 to 27 August 2027
<i>Granted on 20 April 2018</i>		
500,000 share options	20 April 2018 to 19 April 2019	20 April 2019 to 19 April 2028
500,000 share options	20 April 2018 to 19 April 2020	20 April 2020 to 19 April 2028
500,000 share options	20 April 2018 to 19 April 2021	20 April 2021 to 19 April 2028

The Company has used the Binomial Model for assessing the fair value of the share options granted. According to the Binomial Model, the fair value of the options granted measured as at the date of grant was approximately in a range of HK\$0.478 to HK\$0.482 for each of the three tranches, taking into account various factors, variables and assumptions which include the following:

	<b>Date of grant</b>	<b>29 August 2016</b>	<b>28 August 2017</b>	<b>20 April 2018</b>
Risk-free interest rate		1.01%	1.50%	1.50%
Expected volatility		40.28%	39.02%	39.02%
Expected annual dividend yield		3.95%	3.83%	3.83%

The total expense of HK\$240,000 (2020: HK\$2,819,000) for the share options granted to the directors and employees was recognised as "employment benefit expenses" for the year ended 31 March 2021 (Note 9).

## Notes to the Consolidated Financial Statements (continued)

**32 CASH GENERATED FROM OPERATIONS**

(a) Reconciliation of profit before income tax to cash generated from operations:

	2021 HK\$'000	2020 HK\$'000
Profit before income tax	<b>334,667</b>	174,351
Adjustments for:		
Finance income	(2,861)	(5,728)
Finance expenses	<b>35,885</b>	68,572
Depreciation of property, plant and equipment	<b>126,322</b>	141,005
Depreciation of right-of-use assets	<b>89,692</b>	78,965
Depreciation of investment properties	82	96
Net gains on financial assets at fair value through profit or loss	(5,818)	(5,859)
Net gains on disposals of property, plant and equipment	(1,133)	(375)
Provision for impairment of inventories	<b>5,570</b>	30,796
Provision for impairment of prepayments	–	4,835
Provision for impairment of property, plant and equipment	<b>21,916</b>	25,197
(Reversal of)/provision for impairment of trade receivables	<b>(1,737)</b>	1,737
Provision for impairment of other receivables	–	2,259
Impairment loss on intangible assets	–	55,096
Amortisation of technical knowhow	–	9,651
Equity-settled share-based compensation	<b>240</b>	2,819
Share of post-tax profit of a joint venture	(60)	(825)
Gain on lease modification	(211)	–
Exchange difference	<b>5,774</b>	(24,833)
Changes in working capital:		
Inventories	<b>80,355</b>	272,830
Trade receivables	<b>22,268</b>	(23,611)
Prepayments, deposits, other receivables and other assets	<b>219,648</b>	59,937
Trade and bills payables	<b>(71,481)</b>	78,918
Accruals and other payables	<b>11,577</b>	11,700
Derivative financial instruments	–	937
Cash generated from operations	<b>870,695</b>	958,470

Notes to the Consolidated Financial Statements (continued)

## 32 CASH GENERATED FROM OPERATIONS *(Continued)*

- (b) In the consolidated cash flow statement, proceeds from disposals of property, plant and equipment comprise:

	2021 HK\$'000	2020 HK\$'000
Net book amount (Note 15)	<b>4,190</b>	115
Net gains on disposals of property, plant and equipment recognised in consolidated income statement	<b>1,133</b>	375
 Proceeds from disposals of property, plant and equipment	<b>5,323</b>	490
 Proceeds from disposals of property, plant and equipment included in consolidated cash flow statement: — Cash flows from investing activities	<b>5,323</b>	490
  	<b>5,323</b>	490

- (c) Significant non-cash transactions:

Additions of right-of-use assets of HK\$5,074,000 (2020: HK\$207,825,000) for the year ended 31 March 2021 were made under certain lease agreements (Note 16(a)).

- (d) Reconciliation of liabilities arising from financing activities:

	Bank borrowings HK\$'000	lease liabilities HK\$'000
<b>As at 1 April 2019</b>		
Cash outflow	(1,871,773)	(191,683)
Cash inflow	1,868,979	—
Non-cash changes	—	208,945
 <b>As at 31 March 2020</b>	 1,507,719	 486,628
 <b>As at 1 April 2020</b>		
Cash outflow	(470,020)	(196,605)
Cash inflow	186,585	—
Non-cash changes	—	5,032
 <b>As at 31 March 2021</b>	 1,224,284	 295,055

## Notes to the Consolidated Financial Statements (continued)

**33 COMMITMENTS****(a) Operating lease arrangements**

At 31 March 2021, the aggregate future minimum lease payments receivable under non-cancellable operating leases in respect of the Group's investment properties are as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	<b>120</b>	320

**(b) Capital commitments**

At 31 March 2021, the capital expenditure contracted but not yet incurred is as follows:

	2021 HK\$'000	2020 HK\$'000
Property, plant and equipment and right-of-use assets contracted but not provided for	<b>95,528</b>	80,080

Notes to the Consolidated Financial Statements (continued)

## 34 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the following is a summary of significant related party transactions which, in the opinion of the directors, are entered into the ordinary course of business between the Group and its related parties, and the balances arising from related party transactions.

Name of related parties	Relationship with the Group
Hanyi Investments Limited	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director), Mr. Wong Ting Chun (Executive Director) and Mr. Wong Ting Kau (Non-executive Director)
Huizhou Lijia Clothing Company Limited	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director), Mr. Wong Ting Chun (Executive Director), Mr. Wong Wai Wing, Raymond (Executive Director, resigned with effect from 30 November 2019) and Mr. Wong Ting Kau (Non-executive Director)
Huizhou Lixin Technology Company Limited	Controlled by Ms. Teresa Wong (the daughter of Mr. Wong Ting Chung) (Chairman, Chief Executive Officer and Executive Director)
Huizhou Gangsheng Property Co., Ltd	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director), Mr. Wong Wai Yue (Executive Director and Vice Chairman), Mr. Wong Wai Wing, Raymond (Executive Director, resigned with effect from 30 November 2019), Mr. Wong Ting Chun (Executive Director), Mr. Wong Ting Kau (Non-executive Director) and Mr. Lin Xiugao, the cousin of Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director)
Huizhou Huaerkang Technology Co., Ltd.	Controlled by Mr. Wong Wai Yue (Executive Director and Vice Chairman)
Hebei Yuteng Cashmere Products Co., Ltd	The non-controlling interests of a subsidiary of the Group
Hebei Rongcang Warehousing Service Co., Ltd.	Controlled by two directors of the non-controlling interests of a subsidiary of the Group
Hebei Meixian Cashmere Textile Technology Co., Ltd.	Controlled by a relative of two directors of the non-controlling interests of a subsidiary of the Group
Huizhou Chuang Ye Xing Property Management Co., Ltd	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director)
SML & FT (Vietnam) Limited	Wholly owned subsidiary of a joint venture formed between the Group and an independent third party
Tongxiang Yuteng Cashmere Clothing Co., Ltd.	Wholly owned subsidiary of the non-controlling interests of a subsidiary of the Group

## Notes to the Consolidated Financial Statements (continued)

**34 RELATED PARTY TRANSACTIONS (Continued)****(a) Significant transactions**

	Note	2021 HK\$'000	2020 HK\$'000
<i>Continuing transactions:</i>			
Hotel services fee charged by Huizhou Gangsheng Property Co., Ltd	(i), (vii)	<b>1,406</b>	1,541
Rental charged by Huizhou Lijia Clothing Company Limited	(ii), (vii)	<b>2,247</b>	5,514
Rental charged by Hanyi Investments Limited	(iii), (vii)	<b>2,988</b>	2,988
Rental charged by Hebei Yuteng Cashmere Products Co., Ltd	(iv), (vii)	<b>9,711</b>	9,428
Rental charged by Tongxiang Yuteng Cashmere Clothing Co., Ltd.	(v), (vii)	<b>623</b>	–
Rental charged by Huizhou Chuang Ye Xing Property Management Co., Ltd	(vi), (vii)	<b>98</b>	–
Purchase of cashmere from Hebei Yuteng Cashmere Products Co., Ltd	(i), (vii)	<b>482,747</b>	486,853
Subcontracting fee charged by Hebei Rongcang Warehousing Service Co., Ltd	(i), (vii)	–	4,315
Purchase of labels and hang tags from SML & FT (Vietnam) Limited	(i)	<b>10,845</b>	12,792
<i>Non-recurring transactions:</i>			
Purchase of consumables from Hebei Rongcang Warehousing Service Co., Ltd	(i), (vii)	<b>13</b>	371
Purchase of yarn from Hebie Meixian Cashmere Textile Technology Co., Ltd	(i), (vii)	<b>5</b>	103
Purchase of mask from Huizhou Huaerkang Technology Co., Ltd.	(i), (vii)	<b>2,920</b>	–

Notes:

- (i) Terms of the above transactions are mutually agreed between the relevant parties.
- (ii) The Group has entered into an operating lease agreement with Huizhou Lijia Clothing Company Limited on terms mutually agreed by both parties. The Group has recognised a right-of-use asset of HK\$2,195,000 at 31 March 2020 and the right-of-use asset is fully depreciated during the year ended 31 March 2021 upon the expiry of the lease agreement. The lease payments to this related company under this agreement for the year ended 31 March 2021 was HK\$2,247,000 (2020: HK\$5,514,000).
- (iii) The Group has entered into an operating lease agreement with Hanyi Investments Limited on terms mutually agreed by both parties. The Group has recognised a right-of-use asset of HK\$2,915,000 at 31 March 2020 and the right-of-use asset is fully depreciated during the year ended 31 March 2021 upon the expiry of the lease agreement. The lease payments to this related company under this agreement for the year ended 31 March 2021 was HK\$2,988,000 (2020: HK\$2,988,000).
- (iv) The Group entered into a lease agreement with Hebei Yuteng Cashmere Products Co., Ltd. in respect of properties on terms mutually agreed by both parties. The Group recognised a right-of-use asset of HK\$10,358,000 and HK\$17,674,000 at 31 March 2021 and 31 March 2020 respectively. The lease payments to this related company under this agreement for the year ended 31 March 2021 was HK\$9,711,000 (2020: HK\$9,428,000).
- (v) The Group has entered into an operating lease agreement with Tongxiang Yuteng Cashmere Clothing Co., Ltd. on terms mutually agreed by both parties. The Group has recognised a right-of-use asset of HK\$1,959,000 at 31 March 2021. The lease payments to this related company under this agreement for the year ended 31 March 2021 was HK\$623,000.
- (vi) The Group has entered into an operating lease agreement with Huizhou Chuang Ye Xing Property Management Co., Ltd. on terms mutually agreed by both parties. The Group has recognised a right-of-use asset of HK\$1,094,000 at 31 March 2021. The lease payments to this related company under this agreement for the year ended 31 March 2021 was HK\$98,000.
- (vii) These related party transactions also fall under the definition of continuing connected transactions or connected transactions in Chapter 14A of the Listing Rules. The Company has complied with the requirements in accordance with Chapter 14A of the Listing Rules.

Notes to the Consolidated Financial Statements (continued)

## 34 RELATED PARTY TRANSACTIONS *(Continued)*

### (b) Year end balances

	Note	2021 HK\$'000	2020 HK\$'000
Prepayment to Hebei Yuteng Cashmere Products Co., Ltd.	(i)	<b>36,330</b>	263,889
Deposit to Tongxiang Yuteng Cashmere Clothing Co., Ltd.	(i)	<b>118</b>	–
Trade payable to SML & FT (Vietnam) Limited	(ii)	<b>1,809</b>	3,174
Trade payable to Hebei Meixian Cashmere Textile Technology Co., Ltd.	(ii)	<b>5,831</b>	6,104
Trade payable to Hebei Yuteng Cashmere Products Co., Ltd.	(ii)	–	125,410
Lease liabilities due to Huizhou Lijia Clothing Company Limited		–	2,237
Lease liabilities due to Hanyi Investments Limited		–	2,953
Lease liabilities due to Hebei Yuteng Cashmere Products Co., Ltd		<b>10,612</b>	17,908
Lease liabilities due to Tongxiang Yuteng Cashmere Clothing Co., Ltd.		<b>2,019</b>	–
Lease liabilities due to Huizhou Chuang Ye Xing Property Management Co., Ltd		<b>1,096</b>	–

Notes:

- (i) Prepayment and deposit were presented in the consolidated balance sheet within "Prepayments, deposits, other receivables and other assets" (Note 22).
- (ii) Payables were presented in the consolidated balance sheet within "Trade and bills payables, accruals and other payables" (Note 26).

### (c) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	2021 HK\$'000	2020 HK\$'000
Salaries, pension costs and other short-term employee benefits	<b>13,759</b>	16,202
Bonuses	<b>1,239</b>	5,192
Equity-settled share-based compensation	<b>86</b>	1,826
	<b>15,084</b>	23,220

## Notes to the Consolidated Financial Statements (continued)

**35 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)**

The remuneration of each director and the chief executive officer for the year ended 31 March 2021 is set out below:

Name	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings						Total HK\$'000
	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Other benefits HK\$'000	Employer's contribution to pension scheme HK\$'000	Equity- settled share- based compensation HK\$'000	
<b>Executive directors:</b>							
Mr. Wong Ting Chung (Chairman and chief executive officer) (Note (i))	120	2,400	-	-	18	-	2,538
Mr. Wong Wai Yue (Vice Chairman) (Note (i))	120	1,200	-	-	18	-	1,338
Mr. Wong Ting Chun (Note (i))	120	1,800	-	-	18	-	1,938
Mr. Li Po Sing (Note (i))	120	1,800	700	-	18	-	2,638
<b>Non-executive directors:</b>							
Mr. Tam Wai Hung, David	300	-	-	-	-	-	300
Mr. Wong Ting Kau (Note (i))	120	226	-	-	5	-	351
<b>Independent non-executive directors:</b>							
Ms. Fan Chiu Fun, Fanny	300	-	-	-	-	-	300
Mr. Kan Chung Nin, Tony	300	-	-	-	-	-	300
Mr. Ong Chor Wei	300	-	-	-	-	-	300
Mr. Fan Chun Wah, Andrew	300	-	-	-	-	-	300
Ms. Lee Bik Kee, Betty	300	-	-	-	-	-	300
Mr. Ip Shu Kwan, Stephen	300	-	-	-	-	86	386
	2,700	7,426	700	-	77	86	10,989

## Notes to the Consolidated Financial Statements (continued)

**35 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (Continued)**

The remuneration of each director and the chief executive officer for the year ended 31 March 2020 is set out below:

Name	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings						
	Discretionary			Other	Employer's contribution to pension scheme	Equity-settled share-based compensation	Total
	Fees HK\$'000	Salary HK\$'000	bonuses HK\$'000	benefits HK\$'000	HK\$'000	HK\$'000	
<b>Executive directors:</b>							
Mr. Wong Ting Chung (Chairman and chief executive officer) (Note (i))	120	2,400	1,800	-	18	120	4,458
Mr. Wong Wai Yue (Vice Chairman) (Note (i))	120	1,200	700	-	18	-	2,038
Mr. Wong Wai Wing, Raymond (Note (i) & (ii))	80	840	70	-	18	120	1,128
Mr. Wong Ting Chun (Note (i))	120	1,800	1,750	-	18	120	3,808
Mr. Li Po Sing (Note (i))	120	1,800	950	24	18	279	3,191
<b>Non-executive directors:</b>							
Mr. Tam Wai Hung, David	300	-	-	-	-	199	499
Mr. Wong Ting Kau (Note (i))	120	840	70	-	18	-	1,048
<b>Independent non-executive directors:</b>							
Ms. Fan Chiu Fun, Fanny	300	-	-	-	-	120	420
Mr. Kan Chung Nin, Tony	300	-	-	-	-	120	420
Mr. Ong Chor Wei	300	-	-	-	-	120	420
Mr. Fan Chun Wah, Andrew	300	-	-	-	-	120	420
Ms. Lee Bik Kee, Betty	300	-	-	-	-	120	420
Mr. Ip Shu Kwan, Stephen	300	-	-	-	-	213	513
	2,780	8,880	5,340	24	108	1,651	18,783

## **35 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) *(Continued)***

Notes:

- (i) The remuneration shown above included remuneration received from the Group by the directors in their capacity as employees of the subsidiaries during the years ended 31 March 2021 and 2020.
- (ii) Mr. Wong Wai Wing, Raymond resigned as an Executive Director with effect from 30 November 2019.
- (iii) No remunerations were paid or receivable in respect of accepting office as directors during the year ended 31 March 2021 (2020: Nil).
- (iv) No directors waived any emoluments during the year ended 31 March 2021 (2020: Nil).

### **(a) Directors' retirement benefits**

There were no retirement benefits paid to directors during the year ended 31 March 2021 (2020: Nil) by a defined benefit pension plan operated by the Group in respect of the service as a director of the Company and its subsidiaries.

### **(b) Directors' termination benefits**

During the year ended 31 March 2021, there was no board resolution to early terminate of the directors' appointment in office (2020: Nil).

### **(c) Consideration provided to third parties for making available of directors' services**

No consideration was provided to third parties for making available of directors' services during the year ended 31 March 2021 (2020: Nil).

### **(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors**

There was no arrangement in relation to loans, quasi-loans and other dealings between the Group and the directors, subsisted at the end of the year or at any time during the year ended 31 March 2021 (2020: Nil).

### **(e) Directors' material interests in transactions, arrangements or contracts**

Saved as disclosed in Note 34, there are no significant transactions, arrangements and contracts in relation to Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 March 2021 and 2020.

Notes to the Consolidated Financial Statements (continued)

## 36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

### Balance sheet of the Company

	Note	2021 HK\$'000	2020 HK\$'000
<b>ASSETS</b>			
<b>Non-current asset</b>			
Interest in a subsidiary			
		<b>623,000</b>	623,000
<b>Current assets</b>			
Prepayments, deposits, other receivables and other assets		<b>384</b>	243
Amounts due from subsidiaries		<b>2,067,009</b>	2,164,044
Cash and cash equivalents		<b>5,263</b>	22,317
		<b>2,072,656</b>	2,186,604
<b>Total assets</b>		<b>2,695,656</b>	2,809,604
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital		<b>22,794</b>	22,794
Reserves	(a)	<b>1,865,483</b>	1,869,711
<b>Total equity</b>		<b>1,888,277</b>	1,892,505
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Bank borrowings		<b>110,000</b>	705,000
<b>Current liabilities</b>			
Amounts due to subsidiaries		<b>17,379</b>	67,099
Bank borrowings		<b>680,000</b>	145,000
		<b>697,379</b>	212,099
<b>Total liabilities</b>		<b>807,379</b>	917,099
<b>Total equity and liabilities</b>		<b>2,695,656</b>	2,809,604

The balance sheet of the Company was approved by Board of Directors on 25 June 2021 and was signed on its behalf.

**Wong Wai Yue**

Chairman and Executive Director

**Man Yu Hin**

Chief Executive Officer and Executive Director

## 36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

### (a) Reserve movement of the Company

	Other reserves HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 April 2019	1,866,583	16,593	(8,889)	1,874,287
Profit for the year	—	—	90,619	90,619
Dividends (Note 14)	—	—	(98,014)	(98,014)
Share option scheme:				
— Equity-settled share-based compensation (Note 31)	—	2,819	—	2,819
As at 31 March 2020 and 1 April 2020	1,866,583	19,412	(16,284)	1,869,711
Profit for the year	—	—	82,149	82,149
Dividends (Note 14)	—	—	(86,617)	(86,617)
Share option scheme:				
— Equity-settled share-based compensation (Note 31)	—	240	—	240
— Transfer of reserve upon the forfeiture	—	(140)	140	—
As at 31 March 2021	<u>1,866,583</u>	<u>19,512</u>	<u>(20,612)</u>	<u>1,865,483</u>

# Financial Summary

## RESULTS

	2021 HK\$'000	Year ended 31 March			
		2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	<b>3,848,554</b>	4,480,708	4,359,050	3,446,415	2,797,193
Cost of sales	(3,147,112)	(3,790,582)	(3,686,670)	(2,734,273)	(2,134,571)
<b>Gross profit</b>	<b>701,442</b>	690,126	672,380	712,142	662,622
<b>Profit/(loss) before income tax</b>	<b>334,667</b>	174,351	(275,043)	376,949	380,614
Income tax expenses	(36,309)	(22,817)	(25,425)	(49,981)	(52,483)
<b>Profit/(loss) for the year</b>	<b>298,358</b>	151,534	(300,468)	326,968	328,131
<b>Profit/(loss) for the year attributable to:</b>					
Owners of the Company	<b>313,677</b>	157,045	(298,511)	326,968	328,131
Non-controlling interests	(15,319)	(5,511)	(1,957)	–	–
	<b>298,358</b>	151,534	(300,468)	326,968	328,131

## ASSETS AND LIABILITIES

	2021 HK\$'000	As at 31 March			
		2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>Non-current assets</b>	<b>2,869,362</b>	2,784,929	2,539,377	2,857,296	1,459,837
<b>Current assets</b>	<b>1,786,248</b>	2,041,436	2,084,220	2,126,305	1,272,224
<b>Total assets</b>	<b>4,655,610</b>	4,826,365	4,623,597	4,983,601	2,732,061
<b>Total equity</b>	<b>2,416,135</b>	2,096,614	2,046,967	2,447,802	1,569,996
<b>Capital and reserves attributable to:</b>					
Owners of the Company	<b>2,241,191</b>	1,973,960	1,943,962	2,447,802	1,569,996
Non-controlling interests	<b>174,944</b>	122,654	103,005	–	–
	<b>2,416,135</b>	2,096,614	2,046,967	2,447,802	1,569,996
<b>Non-current liabilities</b>	<b>458,460</b>	1,428,034	936,231	852,400	381,279
<b>Current liabilities</b>	<b>1,781,015</b>	1,301,717	1,640,399	1,683,399	780,786
<b>Total liabilities</b>	<b>2,239,475</b>	2,729,751	2,576,630	2,535,799	1,162,065
<b>Total equity and liabilities</b>	<b>4,655,610</b>	4,826,365	4,623,597	4,983,601	2,732,061
<b>Net current assets</b>	<b>5,233</b>	739,719	443,821	442,906	491,438